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...EW ZEALAND'S ...TIONAL WEEKLY OF ...SINESS, POLITICS ...D ECONOMICS

NATIONAL BUSINESS REVIEW

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NZFP-UEB merger heads off into giant corporation league

by Peter V O'Brien

A MERGER of NZ Forest Products and UEB Industries would create a company of significant size even by United States standards.

While the combined group would fall outside the top 500 US corporations, in terms of total profit it would come within the next 100.

The 500th largest US company classified by profit figures in 1979 was ARA Services with $52.6 million.

The combined profit of UEB and NZFP last year was $30,274,000, on total sales of $506 million. Both figures are below the 500th US company, which had sales of $904 million, but the New Zealand companies in the year to March 31, 1980 should report a significant increase in both amounts.

The prolonged strike at Kinleith complicates an assessment of Forest Products' profit for the year just ended, but most analysts consider the group would earn between $30 and $35 million without accounting for any strike losses.

UEB earned $10 million for the same period. Half year profit was about 35 percent higher than the corresponding period of the previous year, at $3,897,000.

With a $10 million profit for UEB and a "real" $35 million for Forest Products, the combined figure is $45 million, pushing a merged group to the international corporate ladder.

Size is only one element of a merged group. It also involves a considerable vertical and horizontal integration of the fibre packaging industries, as well as causing complications in other industries.

UEB is Forest Products' largest customer. A merger of the two companies would dominate the market in fibre boxes and paper bags, from growing the basic raw material (trees) to providing the finished products for industrial, commercial and consumer packaging.

The widely diversified activities of both companies could create problems in deciding on the appropriate form of merger.

UEB acquired Trans Holdings Ltd last year. Trans is a substantial operator in all sections of the tourist industry. Forest Products owns 85 per cent of Russell and Somers Ltd, whose activities include travel agencies as well as shipping interests and iron and steel merchandising.

A further complication arises from the composition of a board of directors if a merger takes place.

Forest Products owns 28.5 per cent of Nissan Datsun Holdings, Datsun franchise operators.

The chairman of UEB Industries, Lyn Papps is chairman of New Zealand Motor Corporation, and an interesting situation would arise if Papps went onto the board of a combined company, because NZMC assembles Honda cars in New Zealand.

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Road user charges: truckies ready to defy law

by Rae Mazengarb

THE road user charges system — introduced more than two years ago — is rankling some sections of the transport industry to the point of open revolt against the law.

The Road Transport Association is looking long-term toward a fuel-related tax and is working to smooth the administration of the Road User Charges Act.

But some factions within the industry are openly advocating a campaign of "civil disobedience".

The Tauranga-based carriers' group Progress — which claims to have the support of "some of the biggest trucking firms in the country" — is to take its case for the abolition of the road user charges system to Customs Minister Hugh Templeton at the weekend.

If the outcome did not satisfy them, the group would take protest action, said secretary Peter Rae.

He emphasised that members did not want to upset the authorities — but if that was the only way to point out the plight of transport firms under the present system, direct action would be taken.

It would probably involve a massive convoy of trucks taking a slow trip to Wellington — "definitely legal", Rae said.

Progress — the Public Road Operators General Rail Efficiency Seeking Society — was formed late last year.

It is not at odds with the RTA, and many of its members belong to both organisations. But, it is prepared to "go a lot further" than the industry body.

Another unidentified group has recently begun advocating more extreme measures — some definitely illegal.

A "confidential" letter from that group — which has found its way to the RTA and to Government authorities — suggests the Ministry of Works Road Tax Computer "is under extreme pressure at present" and outlines 10 tips to "help the situation as far as we are concerned."

The tips range from the extreme — "inadvertently" changing hubodometers with similar readings, misplacing figures on hubodometer serial numbers or vehicle registration plates, fitting "phantom" or toy axles — to defending every prosecution in full.

The author argues: "The sense of defeat is contagious", but suggests: "As the quarrel is entirely with the Government . . . in no way should any action be taken that would upset or cause inconvenience to customers."

The RTA is concerned about maintaining a consistent approach to the problem, rather than have a fragmentation of interests which could lead to an "unfortunate backlash" on the industry.

Association executives point out the Ministry of Transport has a copy of the circular and is more likely to be "more heavy handed" if operators infringe the points on that list.

Some industry sources say they know who is behind this latest bid to undermine the system, but they are not prepared to say who.

It has been suggested that the circular originated in the South Island.

From the standpoint of the RTA, however, the effort involves only about three people, and the association is not aware of any strong support for their ideas.

Progress says it has nothing to do with this latest group, but agrees that its aims are "initially the same as ours".

Asked if there was a campaign of civil disobedience under way, Rae said: "No doubt about it at all, especially in the North Island".

The road user charges system is "easily cheatable", he said.

Progress has already presented the Government with two hubodometers, both with identical serial numbers, and its own list of a dozen methods of cheating the system.

Progress also has an illegally-printed distance licence.

A committee member of Progress said: "Anyone can run them off".

"The apparent acceptance of road user charges could well be due to improved evasion, and the fact that the general level of enforcement has gone down", he said.

He described the system as "a most ill-conceived, bureaucratically devised thing", (the legislation is enforced by the Ministry of Transport, the forms are processed by the Ministry of Works and Development and the money is collected by the Post Office).

And he claimed that at least two operators had been ruined as a direct result of the system.

"Practically every export industry uses heavy transport," he said. "Road

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The week

Stoppage tactics

THE FOL is planning to impose nationwide stoppages unless the Government agrees to grant an immediate cost-of-living increase. Those tactics emerged from the annual conference and include a call for meetings of workers, pensioners and beneficiaries throughout the country. At the international level, conference delegates resolved to consider imposing a trade ban on South Africa (editorial — Page 6).

INVESTIGATIONS into the hydro-electric potential of major catchments will be extended to include a study of the lower Clutha River.

DEPUTY Prime Minister Brian Talboys represented New Zealand at the funeral of Yugoslavia's President Tito. After attending the funeral he flew to Bonn and Rome to air concern over proposals put before the EEC for a sheepmeat regime.

AUSTRALIAN plans for a further air-link with New Zealand are still subject to negotiations. The private domestic carrier Ansett Airlines is seeking approval to fly a route from Tasmania to New Zealand without a Government subsidy.

AIR New Zealand signed a $2.5 million contract with the Malaysian Airline System to continue to overhaul the General Electric engines of the Malaysian airline's DC-10s for the next three years.

THE Law Society plans to spend about $130,000 to advertise its lawyers and the profession and to educate the public. The advertising campaign will be seen in the form of full-page and large display advertisements in newspapers.

THE wholesale price of coal from State Coal Mines was increased. The maximum wholesale price of State coal went up by an average of 14.6 per cent. The increase will vary according to the grade of coal involved. Rising costs of production and the need to maintain the profitability of the State Coal Mines were cited by the Energy Ministry as the reasons for the hike.

WATTIES Industries Ltd's annual report was chosen from 81 entries to win the New Zealand Society of Accountant's 1980 award for public companies which encourages the use of objective and valid measures of company performance and significant economic and social contributions to the country.

A CUSTOMS officer was alleged to have accepted a $25,000 bribe made by a man suspected of smuggling goods into the country worth up to $500,000. The allegation is being investigated.

THE Agrodome in Rotorua, an agricultural display centre which attracted 400,000 tourists last season and has a yearly turnover of $1 million, was destroyed by fire.

The business week

Challenge Finance Ltd changed its name to **Broadlands Finance Ltd** following the merger of the **Broadlands Dominion Group Ltd** and **Challenge Finance Corporation ltd.**

DRG (NZ) Ltd appointed George Pearce as director.

Ebbett Waikato Group Ltd reported an unaudited net profit of $39,176 for the half-year to January 31 ($101,381 same period the previous year). An interim dividend of 4.5c is payable on May 23.

Arthur Ellis Holdings Ltd reported an unaudited net loss of $784,000 for the half-year to December 31 ($340,000 profit same period the previous year).

Europa Oil NZ Ltd reported an unaudited tax-paid profit of $4.8 million for the year to December 31. ($4.4 million the previous year).

Leyland Investments Ltd reported an unaudited tax-paid profit of $48,823 for the half-year to March 31. ($38,706 same period last year). An interim dividend of 5c is payable on May 31.

New Zealand Motor Corporation Ltd purchased all the shares in Group Rentals NZ Ltd.

Placer Developments Ltd reported consolidated net earnings of $26,470,000 or $2.24 per share for the quarter-year to March 31. ($11,459,000, or 95c per share, for same period last year).

Transvision Holdings Ltd reported an audited tax-paid profit of $859,517 for the year to March 31. ($404,639 last year). A final dividend of 10 per cent is payable on July 9.

UEB Industries Ltd conducted discussions with **Forest Products** over a merger.

Auckland Gas Co Ltd reported an unaudited tax-paid profit of $578,000 for the year to March 31. ($444,000 last year). A final dividend of 7.5c is payable on August 1.

Brother Distributors Ltd appointed Graham Williamson to the Board.

Swan Brewery Company Ltd reported an unaudited tax-paid profit of $A12,211 for the year to March 29 ($A15,524 last year). final dividends of 3 per cent on preference shares and 6c on issued ordinary shares are payable June 12.

The week ahead

Monday: China's Vice-Premier Li Xiannian arrives for a week-long official visit.

Labour Party annual conference opens in Wellington.

A five-company Scottish trade mission will visit until May 16

Canada's Minister of State for Trade Ed Lumley arrives on a four-day official visit.

The first joint conference of Australian and New Zealand foresters begins in Rotorua.

Tuesday: Trade and Industry Minister Lance Adams-Schneider and chairman of the Wellington Regional Planning Authority Mr [illegible] Fowler, will address a function held by the Porirua Employment Strategy Group at the Blue Heron Motor Inn, Wellington, from 12pm to 2pm.

Wednesday: National [illegible] selects candidates for the [illegible]chunga by-election.

Thursday: The 1980 session of Parliament is formally opened.

Friday: The Otago-Southland and Canterbury Westland divisions of the National Party's annual conference.

Exchange rates

As at May 8 1980 $NZ worth:

Australia
Britain
Canada
Fiji
Japan
West Germany
United States

Austria
Belgium
China
Denmark
France
Greece
Hong Kong
India
Italy
Malaysia
Netherlands
New Caledonia
Norway
Pakistan
Papua-New Guinea on appl.

Portugal
Singapore
South Africa
Spain
Sri Lanka on appl.
Sweden
Switzerland
Western Samoa

Herbicide makes polish image

by Belinda Gillespie

IVON Watkins-Dow, makers of agricultural chemicals, has been making an all-out effort to improve the image of its major and most controversial product, 245-T.

To counter the mounting of a campaign against the herbicide by the environmental group, Friends of the Earth, the company hired the Wellington-based public relations firm, Consultus, to add muscle to its own attempts to make 245-T the weedkiller that everybody wants.

And it took the unusual action of inviting opponents of the herbicide to talk to shareholders at the company's recent annual meeting.

After that meeting, a four-person panel debated the pros and cons of 245-T.

The company has had a public relations person on its staff since the 1930s.

Current PR officer Rosalene Newman's job is staff communications — "I wasn't employed to fight the 245-T battle," she said.

Rosalene Newman's job is staff communications — "I wasn't employed to fight the 245-T battle," she said.

Ivon Watkins-Dow's budget for publicity had to be increased to meet public concern over 245-T, Newman said, although she was unable to give a definite figure.

"It will be in the order of tens of thousands — cer[illegible] not more than a $100,000" [illegible] said, "certainly not hun[illegible] of thousands, or a mil[illegible] some publicity has [illegible]ed".

Tony Farrington, [illegible] Consultus, said his firm [illegible] some doubts when [illegible] proached by Ivon Wat[illegible] Dow directors.

"We came to the conclu[illegible] that they have a defen[illegible] product," he said.

Consultus is working [illegible] full programme for [illegible] client.

"So far we've been bu[illegible] keeping up with [illegible] came on the scene just befo[illegible] Friends of the Earth [illegible] their campaign," Farring[illegible] said.

Ivon Watkins-Dow was "[illegible] ideal client — forward [illegible] ing, takes advice, and [illegible] publicly agreed to take [illegible] product off the market if [illegible] be proved to be harmful" [illegible] said.

The chemical company [illegible] been actively trying to get [illegible] point across to the public [illegible] some years and Farring[illegible] said much of the informa[illegible] sent out in the form of [illegible] nical papers, missed its [illegible]

He said Consultus' job [illegible] one of breaking down scie[illegible] into laypeople's terms. [illegible] first example — "Don't [illegible] wolf when there isn't [illegible] derived from the Lancet [illegible] prestigious British me[illegible] journal — was sent out [illegible] insert in the company's [illegible] report.

IHC fund-raising scheme needs Govt okay

by Warren Berryman

PLANS to raise $1 million or more for the Society for the Intellectually Handicapped using a simple gaming card have stalled while the Department of Internal Affairs decides if the game falls under the housie regulations or the Gaming and Lotteries Act.

The Internal Affairs Department, which oversees the Golden Kiwi lottery, has been pondering the legality of Avago poker, pontoon, and housie cards for about two years without coming to a conclusion.

After raising $30,000 with Avago housie cards in Auckland as a pilot scheme, the IHC wants to go national with the card.

But first it wants the Parliamentary nod. Over recent weeks it has been lobbying Cabinet Ministers and MPs.

A final decision is expected to be made at Caucus level.

This year's Intellectually Handicapped Children budget will be about $11 million, $2 million of which will come from fund-raising.

The annual door-to-door appeal brought in $897,000, leaving the society more than $1 million short.

The Golden Kiwi contributes asbout $40,000 a year to the IHC.

The Auckland pilot scheme showed that Avago cards have the potential to become the IHC's biggest fund-raiser as well as being far less time-consuming and labour intensive than other fund-raising methods.

Avago cards — whether housie or poker — have five lift-up tear tabs. Beneath these are letters which spell (or fail to spell) "housie" or show a poker hand.

Players buy a card, tear up the tab, and if a winning hand is shown, collect their winnings on the spot.

Keith Lawson, an Auckland businessman in the game and novelties line, picked up the Avago idea in Sydney four years ago and obtained rights to operate here for his company, Character Developments Ltd. The cards are printed by Auckland-based Promotional Prints Ltd.

Over the last two years the cards had been sold to the three major political parties, the Lions, the police for their Boystown appeal, office social clubs and sporting clubs, Lawson said.

The Avago housie cards work like this: A club buys a box of 864 cards for $28 and sells them to players for 50c each to yield $432. Each box contains cards for 100 $1 prizes, 25 $2, 10 $5, four $10 and two $25 — totalling $290 in prize money per box of cards. One card in six is a prizewinner.

The profit per box is $114.

Each card costs about 2c — less than an average business card.

There is a spin-off from the cards for another of Lawson's companies, the Happy Days Company, which will supply toys at wholesale as prizes.

Otherwise, Lawson's profit, comes only from selling the cards. He claims he has sold millions.

Lawson said he had a keen interest in sport and saw the cards as a good way of raising money for sporting and other groups.

He said he was ploughing some of his own profits back with contributions to sporting bodies like buying a surf life saving boat early this year for a sporting team, and sponsoring sporting tournaments.

The legal rub lies in two areas. The Internal Affairs Department has to decide which legislation - the housie regulations or the Gaming and Lotteries Act — covers the cards.

If they fall under the Gaming and Lotteries Act, the crux question lies in the amount of prize money to be won. If the prize is under $50 no police permit is required under that Act.

With Avago's poker cards selling at 10c each, the maximum prize is $5 for a straight flush. But if the club involved wants to sell its cards for $1 each the prize goes up to $50 — a factor beyond Avago's control.

The housie cards sell to punters for 50c each and the big prize is $25. But the total prizes from a box of housie cards is $290 — over the $50 limit.

From the legal point of view, it must be decided if one card or a box of cards constitutes a game.

But the $50 limit need not apply if the Minister of Internal Affairs gives his approval to a society to conduct the game. With the Minister's signature, IHC can sell its housie cards without having to obtain police approval in every town and throughout the country.

The IHC has 32 branches, and would like to avoid this hassle.

Lawson originally wanted to establish a charitable trust wherein all charities and sportsmen could draw on the Avago proceeds. The idea, he said, was to have notables and representatives of charitable bodies on the board of this trust.

The trust would employ salesmen to sell the cards and would distribute the proceeds.

That scheme had been shelved in favour of giving full support to the IHC, Lawson said.

So far the IHC has been the single biggest buyer of the cards, he said.

Trading prosecutions

THE Government's efforts to punish Auckland's rebel Saturday traders is digging into taxpayers' pockets.

Retailers who have defied the law against Saturday trading are the subject of an estimated 700 prosecutions.

They are being encouraged by the Progressive Retailers Association to go for defended hearings, which will log-jam the courts for years.

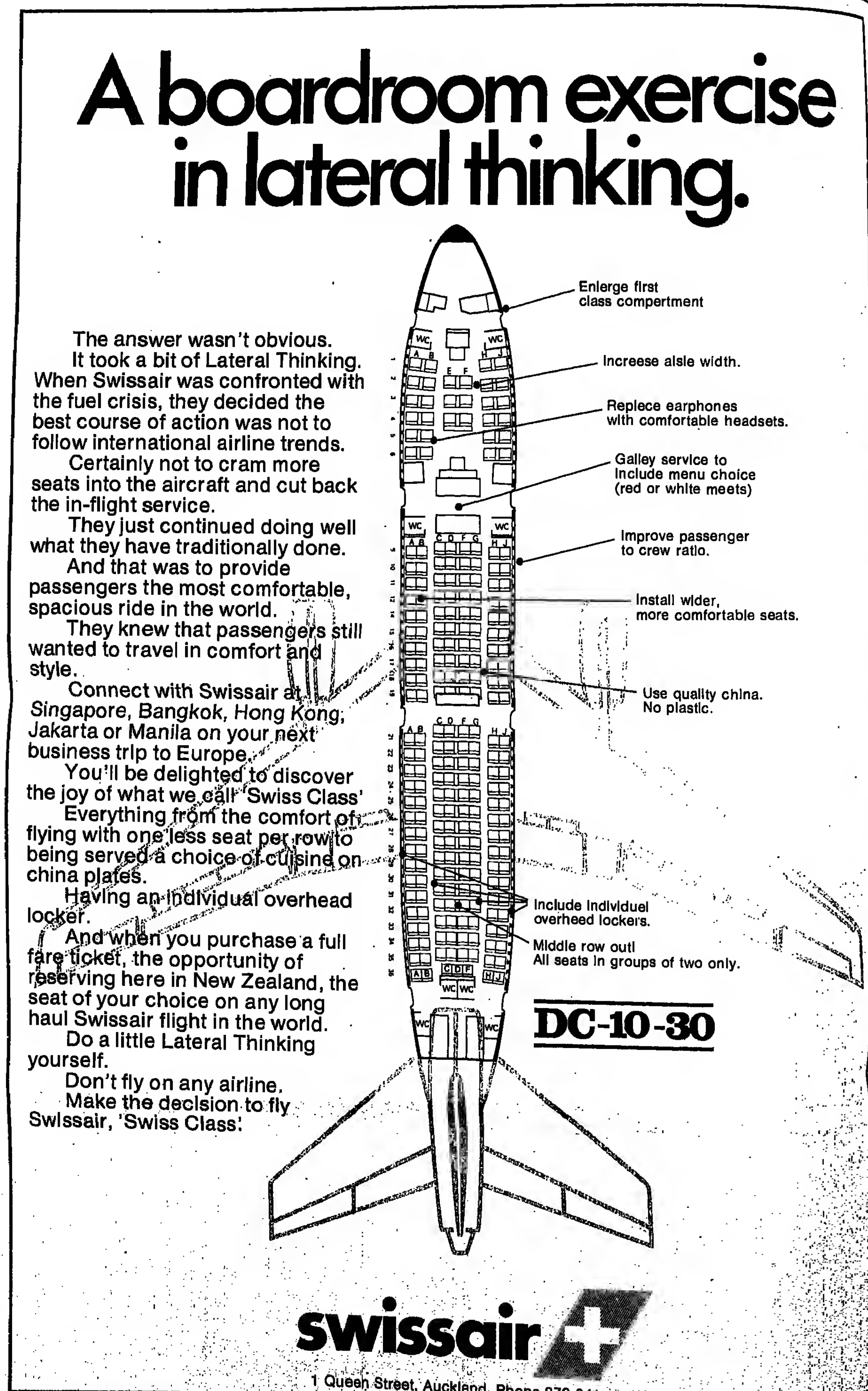
When the first six cases came before the court last Monday, the Labour Department had to withdraw the charges and re-write the prosecution notices.

An estimated 600 prosecution notices will have to be re-written at the taxpayers' expense before prosecutions can proceed.

The retailers are out to increase the number of prosecutions, by laying complaints against anyone thought to be breaking the Shop Trading Hours Act. These complaints are likely to be laid against anyone opening Saturdays, including dairies and garages.

The Shop Employees Union has laid most of the complaints against Saturday traders. Because the Labour Department acts on complaints, the enforcement of the law has been selective singling out of the ringleaders of the rebellion.

By laying complaints, the retailers hope to stop the singling out of rebel-leaders for prosecution and generate so many prosecutions that the law will be shown to be unenforceable.



The week

No joy for South Island in Boeing deal

AIR New Zealand predicts major losses on long-haul service to the United States from centres outside Auckland.

The airline says it must achieve a load factor of 68 per cent to break even on its long-haul services, which all originate from Auckland.

Running trans-Pacific services from Wellington is a non-starter at the moment while the argument over Wellington's runway remains unresolved. But South Island interests have been pressing a case for more Christchurch traffic for a long time.

Air New Zealand has defended its stand against Christchurch-originating flights on economic grounds.

It has run international flights to Fiji from both Wellington and Christchurch, but they have now been discontinued.

The airline's number two man, John Wisdom, told South Island Promotion Association delegates that diverting traffic from Auckland would cost big money.

"Any diversion away from the route pattern of most demand which diminishes that load factor (68 per cent) by even 25 per cent would result in a loss of $50,000 per annum per single service affected," he said.

Wisdom put the loss from introducing long-haul Pacific services from Wellington and Christchurch at $5 million.

To South Island tourist interests, strapped for cash and short of tourist inflow, that might not seem an unacceptable price to pay to keep their business buoyant.

It is no coincidence that many people who advocate using Air New Zealand as an instrument of state tourist policy are South Island residents.

The Government is clear that whatever the arguments put forward about capacity and flight frequency, Air New Zealand will continue to operate as a commercial entity rather than as a means of developing tourism.

"We should not be asked to commit commercial suicide" Wisdom told SIPA delegates.

He said that in the conversion to Boeing 747s, the South Island would be the last to feel any reduction in flight frequency.

Air New Zealand runs 12 long-haul Pacific services a week, using its fleet of seven DC-10s.

By 1982 those DC-10s will have been replaced by five Boeing 747s. That will still mean a daily service to Los Angeles from Auckland.

But the larger capacity of the jumbo will mean even more powerful economic arguments against originating flights from Christchurch.

According to Wisdom, buying Boeing will save Air New Zealand $150 million in operating costs over the next 10 years.

"The 747 has a significantly lower seat/mile cost which offers Air New Zealand a 20 to 25 per cent saving on direct operating costs or a 10-12 per cent on total operating costs.

By 1990, Wisdom said, 10 Boeings would be doing the work of 18 DC-10s.

"When it comes to fuel efficiency the 747 offers a ray of light in a seemingly dismal situation. At a conservative price of $1.50 a gallon, the Boeing 747 will offer the company $287 million in direct savings for that decade," Wisdom said.

Impressive-sounding figures have been quoted before, notably in relation to the merger of Air New Zealand and NAC. The public is still asking where the $10 million worth of savings claimed for that move have gone.

Wisdom was careful not to claim any great reduction in fares or freight rates as a result of the Boeing deal.

Government blows the froth off ALAC's budget

THE Alcoholic Liquor Advisory Council (ALAC) must take a 35 per cent cut in its planned budget and must be wondering about National's election manifesto promise that it would "continue to give ALAC strong support".

The council gets most of its funds from the alcoholic liquor fund – a levy set by the Minister of Justice on all alcoholic drinks consumed in New Zealand.

Last year, the levy turned into an embarrassingly large nest egg for the Government. Set at 0.21c per litre on beer, 3.78c per litre on spirits, 1.22c per litre on fortified wine, and 74c per litre on unfortified wine, it was expected to provide $1.4 million.

But it yielded $2.029 million. Interest and discounts brought total income to $2.227 million.

By November 1979, according to ALAC, "it had become apparent from the monthly receipts up to and including October 1979 that the income from levies was running almost 100 per cent higher than expected."

A Justice Department check showed that the pre-budget liquor buying spree had something to do with it, but "there were also some incorrect returns to Customs."

ALAC kept close to its 1979-80 budget of $1.8 million, with a total expenditure of $1.827 million.

Meanwhile the balance in the alcoholic liquor fund has risen to $1.707 million.

The Minister of Justice had told the council in 1978 that the reserve funds "were to be used to ensure a stable levy over the next few years."

In 1979 the council was advised by the Ministers of Finance and Justice that it should plan expenditure for the next two years "on the assumption that ... income from levies and interest would amount to not less than $1.5 million a year on average up to and including 1981/82".

In January this year ALAC applied for a budget of $2.1 million "to meet a widening range of activities, particularly in the critical prevention fields, and to sustain on-going programmes and the demands of inflation".

The point was made that ALAC's work should eventually reduce public expenditure caused by alcohol abuse.

But the council was told in April that its budget for 1980/81 would be $1.5 million, and that the levy on alcoholic drinks was to be reduced to give a total of $0.600 million instead of the $1.4 million as planned (but exceeded by $0.827 million) the previous year – and anticipated again this year. The remaining $0.9 million was to be made up from reserves and interest.

The levy rates have been substantially reduced on all drinks.

The levies are passed on to the consumer, and according to ALAC – the system has been widely viewed as a sensible application of the "user pays" principle.

In spite of a personal approach by ALAC chairman Sir Leonard Thornton to explain the effects of the cuts on the council's activities, and a request for a further allocation from the reserve fund, Prime Minister Rob Muldoon has not budged.

The Government told ALAC that it could expect "not less than $1.5 million on average" for the next two years, and can point to budgets of the last two years set at $1.5 million and $1.8 million.

Air NZ feelers to Feltex

TWO of the country's four major carpet manufacturers have now been offered a slice of the action in the offset deal between Air New Zealand and Boeing.

Boeing must offset part of the purchase price by arranging markets for New Zealand products.

The thought of a guaranteed market and market entries from the giant Boeing Aircraft Corporation, plus the fat export incentives, is highly attractive to many New Zealand companies – specially when the market entre is being paid for with taxpayers' money.

Among the first companies contacted by Air New Zealand was UEB Industries (NBR May 5). UEB makes carpet for Air New Zealand's DC10s.

Subsequently – and perhaps after NBR started asking questions about favouritism and patronage – Feltex was approached. Feltex makes carpets for Air New Zealand's 737s.

Cavalier Carpets and Stevens-Bremner are still waiting to be asked if they want to bid for the offset deal

Survey indicates successful evasion

continued from Page 1

user charges are therefore a direct disablement of export industries – completely contrary to the Government's avowed policy."

Progress recently undertook a survey of members to compile statistics for discussions with the Government.

The committee agreed to take a random sample of the survey results for NBR (without identifying the firms concerned).

The six-month survey period ran from March 31, 1979 to the end of September last year.

Firms were advised they need not identify themselves on the questionnaire where it was clear they had paid lower charges than they should

Some operators said they had successfully evaded a portion of the charges. Others preferred to detail what they paid under the road-user charges system compared with what they had paid under the old system.

For example:

- Operator A paid $14,958, when he should have paid $22,076.
- B paid $11,500 instead of an estimated $15,000.
- C paid $14,316. He should have paid $17,186.
- D paid the required $35,671 – but pointed out that, under the old system, he would have paid $12,600.
- E paid $40,000. It would have paid about $10,000 under the old system. The company collected 91 convictions before reaching the point it could no longer pay. The fines were reduced to $27,000 on appeal, but the business is now ruined after trading successfully for 30 years.

One operator said he had paid more than $78,000 in road user charges.

The questionnaire asked firms to indicate the percentage of goods they carried which were directly or indirectly associated with export industries.

Progress provided this random selection of answers: 75 per cent; 99 per cent; 100 per cent; 65 per cent; 80 per cent; 95 per cent; 75 per cent; 33 per cent direct or 67 per cent indirect; 40 per cent; 70 per cent; 100 per cent; 30 per cent; 2 per cent; 80 per cent; 40 per cent; 100 per cent; nil.

Replies to the question "What percentage of kilometers were run using a fully loaded vehicle?" indicated that most firms were paying tax on unproductive work.

When the charges were first introduced, it was suggested they would amount only to some 4 per cent of turnover.

Few who responded to the questionnaire – aside from a few town operators – achieved such a low figure.

Rather, proportion of turnover represented by the charges – again at random – was: 25 per cent; 16 per cent; 19.3 per cent; 6 per cent; 9.82 per cent; 8 per cent; 14 per cent; 6 per cent; 10.25 per cent; 16 per cent.

Rae said a fuel tax would be more acceptable to the majority of Progress members.

But as one dissident said: "It's not our duty to work out a better system".

Progress members – many of whom are not yet prepared to surface publicly – say that while the charges cause severe liquidity problems for industry members, "the people getting caught are the honest ones".

Managing director of TNL Ltd Garth Butler said, while not being a member of Progress, he was sympathetic to their cause.

"The road user tax is inequitable," he said, "as it has the greatest impact on the rural user".

He emphasised that he agreed with Progress's aims in principle but his company would not countenance action which would cause inconvenience to customers ... "refusing payments would make more sense – but it's up to the individual operator".

Butler believed a fuel tax was the fairest charge, and one that requires far less administration, than road user charges.

Last year TNL paid $1.5 million in road user charges; this year – to June 30 1980, the company expects to pay $2 million. On the old system the company would have paid about $600,000 – but he pointed out, the company does receive some sort of compensation by way of a sizeable reduction in heavy vehicle sales tax.

But the RTA is not convinced that Progress has the support it claims.

RTA spokesman Max Barclay said Progress's aims and objects were basically parallel to those of the association, and therefore there was no issue. But he suggested a fragmentation of interests at this stage was "less than desirable".

Meanwhile, an Auckland operator claims that, in some districts, heavy vehicles are operating without hubodometers at all – and have been doing so for weeks.

As for the hubodometers in use: "Anyone with half a brain can fiddle them," he confided.

Comment

Editorial

COUNTRIES of all shades of political opinion — including the Communist countries — trade with Chile and reap the rewards.

But New Zealand stands alone and ignores that country's potentially lucrative market simply because the FOL — without reference to public opinion or consideration of our economic well-being — stubbornly imposes on all of us its own concept of morality.

Now that the precedent has been set, there can be no end to the FOL singling out countries for trade boycotts because it finds fault with their policies. Where does this sort of action end? Which country's policies will be the next to irritate the FOL to the point of its imposing a trade boycott that hurts New Zealand more than the target of its disapproval? It could be South Africa, if events last week are any indication.

New Zealand trades with many countries whose governments act in ways that the average New Zealander would consider improper, wrong or immoral. The Soviet Union is the world's major offender in denying its citizens personal freedoms, for example.

The Soviet Union is also becoming of major importance to New Zealand as a trading partner (which explains the Government's ambivalence in reacting to the invasion of Afghanistan).

No disgruntled visitors from the Soviet Union came to Wellington last week to address the FOL (no doubt they wouldn't be allowed out of the country). Instead, the trade union delegates heard from Isabel Allende (daughter of Chile's late Marxist Premier Salvador Allende) and exiled black South African trade unionist Zola Zembe. Both were given standing ovations after they spelled out how trade unions and unionists were suppressed in their countries.

The FOL was thus spurred to continue its trade ban on Chile. And the stirring speech by Zembe was enough to arouse the conference to calls from the floor for trade bans against South Africa, (although Zembe asked for neither a trade ban nor action on sporting contact with South Africa).

Some prudent delegates persuaded their more passionate brothers that there were huge implications to such a ban, and elements of self-interest tempered the conference's stance before it committed itself to principles as lofty as bringing every possible weapon to bear against apartheid. Bill Anderson (Northern Drivers' Union) perceived tactical problems; Denny Nichols (Wellington Coachworkers) anticipated angry reaction from Government, importers and manufacturers and advocated educating the public; Pat Kelly (Wellington Cleaners' and Caretakers' Union) expressed concern for the jobs of New Zealand workers. Before banning Rothmans cigarettes, for example "there is the matter of about 400 tobacco workers who have to be considered," he said.

FOL president Jim Knox reaffirmed existing policy to urge insurance and other companies to withdraw investments from South Africa, but while appearing to be sympathetic about a trade ban, obviously had reservations; he wanted the resolution discussed with the unions themselves.

And so after considerable debate, the conference agreed to ask the national executive to "consider the implementation of a boycott", and resolved that the FOL's transport group of workers consider implementation of a ban.

The wording of the resolution, of course, gives the FOL an out. Chances are nothing will come of it. Certainly, the conference was not as enthusiastic about boycotting South Africa as it had been in responding to the call to continue the Chile trade ban.

Perhaps it recognised that sanctions don't work, and that whatever trade was lost to New Zealand would be picked up by some other country. Companies with the resources can circumvent a ban, anyway, as has happened with Chile.

Britain's shadow Chancellor of the Exchequer, Denis Healey — asked about economic sanctions against Iran — said recently there was no evidence from history that sanctions would work. "I fear that sanctions will make the situation worse, not better," he said.

"They always tend to help extremists rather than the moderates in the country to which they are applied and to exacerbate feeling." And if sanctions didn't work, he asked, "what is the next step, and what is the step after that?"

That observation is being borne out by events in Iran.

American pressure on Iran was blamed by that country's Oil Minister Ali Akbar Moinfar for recent difficulties in negotiations with its main customers — BP, Royal Dutch Shell and 12 Japanese companies. So Iran began making arrangements to sell oil to Eastern Europe.

Rhodesia was not brought to its knees by trade sanctions, even though the whole world was supposed to be supporting the United Nations-endorsed boycott.

And despite what they say publicly, 49 African countries are involved in a largely covert trade with South Africa worth some $1 billion a year.

The Australians lifted the ban on Chile in 1978. But the FOL conference that year stood firm (and won for New Zealand the distinction of being the only country in the world to observe the ban). But the ban has no formal support from either the Government or the public. And it is doing more damage to New Zealand than to the Pinochet regime, while attracting public resentment at the FOL's dictatorship. Our exports of $19,377,000 to Chile in 1973 had dwindled to $623,000 last year. Somebody else will be benefitting from the opportunities we ignore.

Our trade with South Africa is modest (exports last year were worth $6,565,000; imports were worth $10,176,000). If the trade is lost, it won't be the South Africans who are hurt.

There is no question that South Africa's blacks are shabbily treated under a repugnant system. Without some degree of outside intervention or pressure, that situation is unlikely to change markedly. But specific interventionist targets are bound to be more successful than broad-brush imposition of a trade boycott that a country like New Zealand whose trade is negligible.

And before becoming unduly concerned about apartheid, the FOL would do well to consider the situation on the home front. The Maori is unable to lift himself from the bottom of the wages heap, and, on average, earns less than the Pakeha. The awakening of Maori consciousness is looming as a major social issue of the 1980s and the FOL should be playing a leading role in trying to elevate the lot of Maori workers.

In our Pacific backyard, similarly, the FOL should be concerned to improve the conditions of workers in the small Island states. But it gives only lukewarm support to the Pacific Islands Industrial Development Scheme, recognising first the threat to workers here of cheap imports from any industries set up in the Islands.

The problem of South Africa is a political one which demands political solutions. Our political system provides channels through which the national interest can be determined in the context of the problems we are trying to solve in another country. Through these channels, attitudes to sporting contacts with South Africa have changed markedly over the past decade. Government policies have been gradually hauled to keep abreast of the public mood.

The public, certainly, must have its attention drawn to the injustices that besmirch the South African political system, (and last week's debate certainly would have done that). If that same public is to be affected by a decision on South Africa, then it must be allowed a say in the decision-making process. Unionists are abusing their powers when they impose their will on the whole community. The outcome must be detrimental to the FOL.

Continued threats of stoppages to win wage increases and trade boycotts that rebound on the economy inevitably must lead to a backlash of public hostility. RoB.

Without word of a lie

The party connection

WE noticed the appointment the other day of T S Cradock, of Wellington, as the second lay member of the Motor Vehicle Dealers Licensing Board.

An apparently exhaustive biographical note said Cradock is chief executive officer of the Johnsonville Licensing Trust, having previously been a Mobil Oil manager, the immediate past president of the Urban Development Association and a past district governor of Lions.

The note referred to his war service, his marriage, his four children, his "active interest in bowls" and said he "follows rugby and cricket".

Clearly, the writer of the press release had left no stone of importance unturned in his research into Cradock's background.

So the Cradock appointed to the licensing board is no doubt therefore a completely different T S Cradock from the T S Cradock who as "general manager Johnsonville Licensing Trust, formerly oil company executive, airforce and Fijian military forces World War II" is running for a certain office this coming weekend.

The office is deputy chairman of the Wellington division of the National Party, an office this T S Cradock has held since 1978, after holding various lesser party posts since 1969.

This T S Cradock has also been chairman of the division's policy committee since last year.

We congratulate Justice Minister Jim McLay on his determination not to be seen to be part of the "jobs for the boys" game.

Record industry in a spin

THE Record Retailers Federation almost fell out with its suppliers, the Record Industry Association, last week over a question of consumer savings if the 40 per cent sales tax on records was removed.

The industry's lobby against the sales tax resolves around a promise that if Government reduces the tax to 10 per cent, a $2 saving per record will be passed on to the consumer.

The retailers issued a statement last week asking for a 34 per cent increase in their markup, which would have wiped out much of this consumer saving.

After a bit of number crunching by *NBR's* Auckland reporter and a question to the PR man handling both the retailers and the industry, there was a flurry of phone calls. Then another statement emerged from the retailers, saying the $2 saving would be passed on to the consumer after all.

Brockie's view

Govt trips on synthetic carpet

THE wool industry is afraid there might have been a slip-up when Government implemented the Industries Development Commission's recommendations on the textile industry.

As part of the rationalisation process nylon will be taken off import licence from July 1.

Carpet manufacturers which buy 80 per cent of locally sold wool, will then be free to bring in nylon and make synthetic carpets.

Many in the industry are aware of the anomaly — but nothing has been done about it.

It is understood Trade and Industry Minister Lance Adams-Schneider is likely to write to carpet manufacturers asking them to say that they don't want synthetic carpets to be made here.

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Comment

National politics threaten to swamp Maori cause

by Graham Butterworth

THE Northern Maori by-election is beginning to reveal a fine collection of ironies.

The first is that a by-election staged to draw attention to the Maori people's plight has already been overshadowed by the Onehunga contest. The neat contest of a selfless Maori candidate seeking endorsement from the Labour people against the pakeha Labour Party machine has been altered irretrievably. Now the Labour Party is on its mettle to show that it still has the popular support to be the alternative Government.

Mat Rata, willy-nilly, has become an ally of the National Party and his cause has not been helped by that party's refusal to field a candidate in Northern Maori.

Mana Maori Motuhake now faces the real danger that its crusade will be swallowed up by national politics. This, of course, is the whole point that it is trying to make — but to be the victim of it in its own carefully planned political gesture must be particularly galling.

For Rata personally, the whole process must have unpleasant reminders of his first electoral campaign, the 1963 by-election. Then he narrowly escaped defeat by a popular National Party candidate, James Henare.

Henare was an established tribal leader, his father had been MP for Northern Maori, he was a person of proven ability whose achievements included being a commander of the Maori Battalion.

As a political unknown, Rata's Labour Party and Ratana support just helped bring the victory.

The 1980 contest must seem like a re-run of that contest, though the factors have been reshuffled a little.

Rata's main opponent, Dr Gregory, can be described as the typically liberal professional that Labour has been selecting recently. But his father is a prominent elder. And Gregory has been president of the Tai Tokerau district Maori Council. Thus he must be seen as a candidate of the traditional Maori elders, Church of England supporters and, generally, the North Auckland communities which considered Rata neglected them.

He must inevitably be sure of the votes of all loyal Labour Party supporters.

His campaign appears likely to stress the two factors of over-riding concern to North Auckland, Maori youth and unemployment.

The campaign also promises a considerable washing of dirty political linen that must damage the image of the third Labour Government as a happy band of brothers.

As a political newcomer, Gregory will benefit personally from the revelations that Rata, Whetu Tirikatene-Sullivan and Koro Wetere are starting to make.

The Labour candidate in Onehunga could become the vicarious victim of a tarnished Labour Party.

When Rata first resigned from the Labour Party, I believed he had a good chance of holding on to the seat. Yet he seems not to have capitalised on his advantages.

Both his resignation from the Labour Party and now his resignation from Northern Maori have been considered precipitate and not done in a "Maori" way. That's a very damaging criticism for a man who claimed to stand for an assertion of Maori identity and values against the encroaching pakeha.

Traditional Maori society expected matters to be talked out before action was taken and the North Auckland elders hold they were not properly consulted.

Rata obviously hoped to bring together Maori traditionalists, the Ratana Church and the urban activists. He appears to have failed with the North Auckland elders.

Against this is the fact that Rata still has some Ratana support. He visited Ratana Pa the night before he resigned and was accompanied to Parliament by senior members of the Ratana Church.

It is another irony of the campaign that he is being opposed by Koro Wetere who for years was Iriaka Ratana's secretary and one of the inner circle of the Ratana Church.

Moreover, as a sitting MP for over 16 years, Rata ought to have a reservoir of purely personal support for the work he did for constituents. And, the inept release of a new Labour Party Maori policy has underlined his point that only an independent could force changes on the pakeha political parties.

Finally, there is the whole question of the support that the Maori activists can muster for him. He should be appealing to disillusioned Maoris, specially the young, who have been victims of the protracted recession.

Yet this last group is a hard one to organise politically and it will be a real test of the organising ability of Mana Maori Motuhake.

For the first time it will be possible to gauge the real strength of these groups in Maori society, because until now they have avoided an electoral confrontation.

The last real contests in Maori seats occurred in the 1940s and every political commentator is now faced with the problem of making an assessment of relative strengths on very inadequate information.

Until after the election it will not really be possible to assess, for instance, the political weight of Hohepa and the Maori activists as against the tribal elders and entrenched party loyalties.

This election will make it easier to judge the strengths and weaknesses of various groups in Maori politics. Certainly if Rata wins, or even if he is narrowly defeated, he will have made his central point that Maoris are unhappy about their status in pakeha society and want recognition of their Maoriness.

It will also ensure that the Labour Party will have to select men or women with Mana in the Maori community.

Graham Butterworth is an historian and senior research officer for the Police Association.

Aviation policy jumps through political hoops

by Duncan Campbell

IT IS NOT surprising that people should have looked askance at the Government's action in telling Air New Zealand that it was to power its 747 jumbo airliners with Rolls Royce engines instead of the General Electric engines the airline recommended.

It had all the appearance of being yet another purely political decision made for political reasons.

Aviation in particular has been cursed by political lobbying and by some notably poor decisions till such political decisions began burning political fingers in the early 1950s.

Immediately after the war, for example, Air New Zealand's predecessor, Tasman Empire Airways, wanted to re-equip with DC4s. There were plenty about at the time (and at good prices). Their use would have enabled the airline to extend its route structure to North America then, instead of 20 years later.

But no, the then Government insisted on re-equipping TEAL with flying-boats, with the result that it gave the airline its only unprofitable years up to 1979.

Then there was the long drawn out battle over a far-sighted public servant's purchase of land for Wellington's airport needs and trans-Tasman links from Paraparaumu.

Whereas, originally, it could have been developed without upsetting more than 200 households and businesses at comparatively negligible cost, successive governments have now so reduced its land use that they have lost what could at least have been an export asset to the southern portion of the North Island.

Again, when TEAL wanted to buy Comets at the end of the 1950s, it was compelled to buy Electras, a decision forced on it largely by Australia, which then owned half the airline. The Electra served the airline well, of course, but nevertheless prevented it from joining the jet age for five years.

Then, on the local body front, there was the Wellington city "economist" who wouldn't believe the accuracy of the calculations lying behind projected plans for a trans-Tasman terminal building at Wellington Airport. He succeeded in having the building reduced to the stage where it was too small for its purpose before it opened and, apart from the needless delay, cost $5 million more than first scheduled.

He illustrated one of the curious features of New Zealand life: that so many of the country's major aviation decisions are made by people who know virtually nothing about aviation.

In the current re-equipment controversy it would seem that the Rolls Royce engine was the first choice for Air New Zealand's 747s but that it recommended the American engine when it found that Rolls Royce could not supply its newest type equipment in time for it to be included in the 747s it had on order.

In upsetting the Air New Zealand recommendation, Cabinet will have seen that Rolls Royce's interim RB211 B2 model can be used in the 747s till they can be retro-fitted with RR's late engine, the RB211 D4 due for production in 1982.

It is a critical decision. The engine will use about 4 per cent less fuel than the GE model. On the basis of figures put out by recent RR convert, Qantas, every 1 per cent which can be cut from fuel usage will save about $100,000 a year.

On a roughly similar basis fuel saving on RR engines from 1982 could provide the airline with upward of $400,000 an aircraft.

So maybe Cabinet made the right decision in upsetting Air New Zealand's recommendation after all. Time will tell.

Duncan Campbell is a specialist writer on aviation.

Letters

Container performance

I READ with some concern the articles on shipping written by Warren Berryman (*NBR*, April 28, 1980).

I refer specifically to the statement made about the performance of New Zealand container terminals and I quote: "Lost jobs and falling waterside union membership have contributed to the sort of industrial unrest that ranks our container ports equal bottom with Australia on the efficiency scale."

And another quote: "New Zealand ports with the best modern equipment often move containers at only one-third the rate of overseas ports".

I do not know what source Mr Berryman uses to obtain his information but if all his other facts are as inaccurate as these then they are not worth the paper they are written on. I always understood good reporting was based on true facts and I would suggest that Mr Berryman spend more time in future on research before going into print in this irresponsible manner.

Firstly, industrial unrest in the waterfront industry, although receiving great publicity, is insignificant compared to that in other major industries in New Zealand and certainly much better than on the Australian waterfront.

Secondly, contrary to Mr Berryman's statement, New Zealand container terminals are amongst the most efficient and highly productive in the world. Container terminal productivity is measured world wide by ship exchange rates of work. Our figures show, and this is clearly acknowledged by all our user shipping lines, that the performance of New Zealand terminals is amongst the highest in the world and certainly exceeds the performance of those ports managed by our traditional trading partners.

The latest statistics produced by one of the major shipping groups incorporating OCL, SCNZ, and the European Lines, for the quarter ending December 31, 1979, which accounts for the largest part of our container trade to and from Europe and the UK, show that New Zealand terminals are well ahead of those in Australia and the UK and exceed many of the European ports such as Rotterdam, Bremerhaven, Hamburg, Genoa, Trieste and Marseille. The average gross ship exchange rate in New Zealand ports for that period on this group's vessels was 31.3 containers per hour and only one overseas port used by this group exceeded that rate for this period, and this was only for a comparatively small exchange. In Australia, Sydney was 12.7 cph, Melbourne 16.9 cph, Freemantle 14.1 cph and Tilbury's (UK) rate for the same period was 19.8 containers per hour.

These statistics are produced independently of the terminals and are used to compare port performance world wide.

The foregoing New Zealand figures can be confirmed by the Waterfront Industry Commission, which produces statistics on a quarterly basis regarding container-handling rates in New Zealand terminals, and I am quite sure they have access to the performance of ports overseas for comparison purposes.

In the last 18 months we have had a stream of visitors from Australia who have come to New Zealand solely for the purpose of studying the methods used in New Zealand terminals. Our results have so impressed them that they wish to see if our systems can be introduced in Australia in an endeavour to improve their performance.

Inaccurate statements such as those produced by Mr Berryman can be very harmful to our section of the waterfront industry and I believe this matter is serious enough to warrant an apology published in your paper advising your readers of the true position.

R V McKee
General Manager
Container Terminals Ltd

BEHIND our article were extensive interviews with ship captains, shipping managers, and exporters — the people paying the bills for ocean freight, and wharfage. Research also included a few trips to the wharf to see the container handlers in action, and talks with union executives.

Those parties we interviewed claim to have witnessed and paid for container loading and unloading in New Zealand at the rate of 15 containers an hour. They have also experienced rates of 45 containers an hour in ports in Hong Kong, Japan, United States and Germany. Container movements — shifting boxes back and forth, up and down — don't matter much to the man paying the bills, who is only interested in containers on or off the ship.

The same sources point out that New Zealand ports have good, up-to-date equipment. The problem is not in the cranes and so on, but how they are manned. The practice of rotating men from job to job prevents any one man from becoming fast and efficient at any one job.

Last March, as Auckland [illegible] bour Board straddle carrier [illegible] over and killed a man. The [illegible] demanded and got a [illegible] demanding that two men be [illegible] ployed on each straddle [illegible] instead of three men per [illegible] riers, and the board removed [illegible] top gears from the carriers [illegible] couldn't work as fast as they [illegible] designed to. The harbour [illegible] and the union called these [illegible] measures. Others might c[illegible] featherbedding.

The Auckland Harbour [illegible] agrees the port is overman[illegible] has publicly stated that [illegible] are employed to unpack conta[illegible] doing the job of two men [illegible] tralia.

Would our correspondent [illegible] there is a return to [illegible] shipping? And if so, what [illegible] reason?

To unpack a 40ft contain[illegible] the Auckland wharf using [illegible] union labour will cost [illegible] $900 (all charges included) [illegible] same job can be done [illegible] for less than $200. If the [illegible] port is efficient, it certainly [illegible] cost efficient.

Industrial unrest might [illegible] than in Australia, but [illegible] do better to try to top [illegible] ricans, the Japanese, or [illegible] reans?

Politics

Life on the ocean wave — by-election time

by Colin James

PARLIAMENT will be officially opened this week — an inescapable liturgical fact of political life.

Few beyond those who get to wear their best hat and scoff the Government-issue Bellamys nosh will notice the event.

Nor should they. Nowadays MPs are around the place nearly as much when Parliament is formally out of session as when it is in session — sitting on select committees and attending to party business.

There is, however, something noteworthy about the opening this year — two empty seats.

Death has emptied one of them, that of Onehunga's affable and irrepressible Frank Rogers, whose uncontainable interjections frequently livened the most boring of debates.

Pride has emptied the other. Northern Maori's Mat Rata is asking the Maori people to follow him into separate political development and a new maturity in their co-existence with the white people who make the rules.

Rata's departure from the Labour Party and his challenge to his former party, on the ground of true representation of the Maori race's interests, makes the by-election in Northern Maori of exceptional interest.

I don't pretend to be able to predict whether he will win. I have not been in the electorate since February and even if I had, I doubt if I could be sure to read the signs correctly.

On the one hand, Rata does seem to have struck a sympathetic chord, even in conservative quarters.

On the other, his past record as MP and his failure to consult the people before leaving the party count against him.

And his delay in resigning from Parliament has given the Labour Party time to regroup, to put together some sort of organisation, cobble together a policy that goes a bit further down the revised Rata track than Rata's own 1978 Labour policy and get itself a presentable (so I am told) candidate in Bruce Gregory.

Labour morale has improved.

But even if Labour wins on June 7, Maori politics will have crossed a divide.

The mana motuhake concepts are not some flash-in-the-pan. They are one more manifestation of a change in the hitherto subordinate role of the Maori, or a reach for equal cultural status.

It may be that, as with feminism, this movement forms a tactical alliance with Labour, partly for historical reasons and partly because of the two main parties Labour is more naturally a convenient vehicle for the thrusting underdog.

But, also like feminism, its overall thrust is likely to transcend the National-Labour framework which is inappropriate to its long-term goals.

Women link hands now across the party divide (though strong women tend to gravitate toward Labour). There is no compelling reason why Maoris should not do the same, preserving tactical flexibility and making use of all available strengths and leverages.

In a sense this has already been happening, as Maori political tactics have become more diverse. Land occupations and so on do not fit easily into the battle plans of a party seeking a broad enough voter coalition to win parliamentary power.

In this adoption of a politically uncomfortable militancy, the relationship with the Labour Party has a parallel with that between unions and the party.

While Tom Skinner was president, he opted a broadly even-handed approach to whatever Government was in power (usually National), thus to some extent keeping the unions above the two-party fray.

Since his departure, there has been a marked swing away from this "economism" — the pursuit of home comforts through compromise and political dealing - toward a greater reliance on (militant) industrial self-reliance.

That was the message of last week's Federation of Labour conference.

President Jim Knox basked in the victory (as unionists see it) at Kinleith and was received with deserved affectionate good humour by delegates, at times chuckling with tolerant delight at his flights of grassroots rhetoric.

Down on the floor the Socialist Unity Party, whose votes helped Knox in, also basked — in its rising (and, perhaps, taken together with other left-wing sympathy, controlling) influence in the conference.

The Prime Minister has been railing against that influence, but, paradoxically, his extravagant methods may be contributing to it.

In the first place, his obsessive style makes it hard to take his warnings seriously.

In the second, his misguided missiles (against the drivers last year; over Kinleith this) push otherwise mutually hostile union camps into each other's arms.

Thus potential divisions remain papered over (to the SUP's and Knox's advantage), where a less threatening stance might leave them exposed, and exploitable.

And unionists of every colour feel increasingly bound, on grounds of beleaguered solidarity (a "people" criterion), to challenge the Government's attempts to impose wage limits (an "economic" criterion).

The fact that the Government sees industrial relations in terms of economic criteria (Jim Bolger, *NBR* April 14) while the unions see it in terms of human rights (to a minimum living wage; to freedom of association) is an important contributing factor to the standoff.

And this more militant stance puts strains on a Labour Party looking for a quiet way to put together a parliamentary majority.

Which brings us back to the Onehunga by-election.

Favourite to win the Labour candidacy last Friday (after this column went to press) was Fred Gerbic, a union official of many years standing and an industrial mediator of high repute — an actual unionist to parade before the working class, in other words, the sort of offer Labour could hardly refuse.

And, curiously, National this Wednesday is faced with another such offer in the nomination of fourth generation Onehungan, 31-year-old Sue Wood — one of the party's not-too-numerous "good women", in my definition of a few weeks back (*NBR*, April 21).

Wood, now woman vice-president, is destined for higher things (Remuera?), whether she wins Onehunga or not.

The makings are therefore present of an interesting contest.

National has hopes of winning, looking at a 1417 general election majority, a 3 per cent lead in the April poll, a long-term Nationalward drift in the electorate's northern reaches and, if Wood is selected, and Labour has selected a man the advantage of standing a woman.

Academic research has suggested that the mere fact of female candidacy has historically been worth between one-half and 1 per cent. But the growing importance of feminism has encouraged a National Party belief, notably apropos Kapiti where Margaret Shields challenges Barry Brill, that a strong woman candidate is worth more than that now.

These hopes might be further magnified by the freedom by-election conditions sometimes encourage among voters, who know the fate of the Government is not at stake.

But it is more likely that that freedom will be exercised by National voters. National may have been ahead in the April poll, but going out to vote is a different matter.

Doorstep support may not translate into National votes if, as I suspect, National's poll strength is less a positive indication of confidence than a negative reaction to Labour in the off-season.

Labour canvassers report growing vehemence in supporters' condemnation of the Government, suggesting its support will turn out to vote.

Onehunga, then, may prove the barometer of Government popularity we have been waiting for. And the Prime Minister may not be so gleeful after the event as he was last week.

Whatever the Prime Minister's feelings, however, for one minister the Onehunga by-election is already a defeat.

A day before the rolls closed, the Justice Department shamefacedly acknowledged it had overlooked the need to ensure everybody eligible to vote was on the roll.

We've heard it all before, the assurances, the admissions of failure and recriminations.

Democracy is still losing. It is time it started winning.

Economy

Regional development: getting beyond economics

Economics Correspondent

RUMBLINGS of discontent from the outer regions have been drowned out until recently, by the clattering of the bureaucratic machine in Wellington. But suddenly the South Island Movement is thundering up round us, and even high pitched buzzing from the Beehive, saying that the movement is nonsense, has been unable to still the clamour.

Something is going on outside Wellington that has implications for our centralised form of governing and of economic decision-making. The long queues waiting to sign the South Island Movement's petition for greater political autonomy is evidence of a major regional grievance.

The Planning Council is doing its bit to alert the Government to regional issues by publishing two reports on regional planning and development. In *Planning and the regions* (see *NBR* Page 19), the council advises the Government on the links between planning at the national and regional levels.

And the Planning Council also commissioned a report from University of Auckland economist Dr Claudia Scott. *Summary of regional development objectives and policies: an appraisal.*

Scott's report shows that central government has not been totally oblivious to regional issues. Since 1973, nearly $12.5 million has been granted for regional development assistance.

And this rather piffling expenditure has been accompanied by further analysis of the issues. Regional problems have been the subject of much expert investigation ever since the National Government Council stimulated interest in them in May 1969.

But then, one of the oldest political tricks in the book is to give the appearance of solving a problem by calling in an expert to investigate it.

This has the added advantage that while the big gun expert is diverted to this task, he or she will be less outspoken about deficiences in policy.

So, 11 years after the NDC first stimulated research into regional issues, Dr Scott still finds that "the lock of urgency and focus in regional policy is widespread".

One reason previous analysis of regionol issues has not resulted in good regional policy is the narrowness of the focus to economic considerations.

Although Scott is an economist, she attempts to widen the scope of her analysis beyond economics by showing the importance of social, political and environmental influences in shaping regional policies.

The concern of existing regional policies is to direct economic growth away from urban centres, such as Auckland and Wellington, and to encourage development in 11 priority slower-growth regions including Northland, the King Country, Taranaki, Wanganui, the East Coast, Wairoa, the West Coast, Otago, Southland, Marlborough, and South Canterbury.

These policies have had a narrow, primarily manufacturing focus and have been applied to a set of regions which contain less than one third of the population.

There has not been a better geographic distribution of development as a result.

The crunch issue is to define what a better geographic distribution of development is. A report produced by the New Zealand Institute of Economic Research in 1969 argued that disparities in the standard of living of inhabitants of regions were a key factor in assessing the extent of regional problems.

So, a better geographic distribution of development would aim to even out disparities in living standards. But as the institute report pointed out, a more balanced distribution of regional development might mean a sacrifice of national economic growth.

Economists, such as those at the institute who rely on the traditionol economic fromework, cannot deal effectively with regional issues.

The analysis of regional development means looking beyond the questions of "whet" "how" and "for whom" to produce goods and services to the additional question of "where" to produce.

But the traditional economic framework cannot handle the "where" problem, because under that framework's assumptions, space offers no impediment to market forces.

This being the case, resources are seen to be completely mobile, flowing smoothly between regions so as to create maximum national economic growth.

A special branch of study, called regional economics, has been set up to analyse the special problem of resource immobility and market failure.

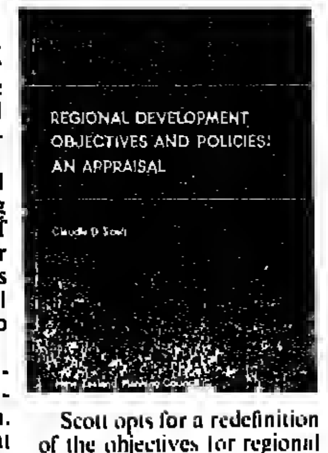
The analysis of regional economics rests on the assessment of externalities (costs and benefits outside or external to the market system).

And Scott argues that the tools of regional policy are, by their nature, "interventionist" because they attempt to alter the allocation of both human and physical resources to a pattern which is deemed more desirable than that resulting from the interplay of market forces within the existing institutional setting.

Since regional development policies are designed to solve "regional problems", an appraisal of these policies must be carried out after defining the problems.

Scott adopts the view that regional problems are any circumstances which give rise to a regional sense of grievance and a perceived need to adjust the balance of activity among regions.

The way in which regional grievances are expressed and responded to, is an integral part of the political process.



Scott opts for a redefinition of the objectives for regional development policies and a specification of them within the context of both regional and national policy. The policies would apply to all regions, both fast and slow-growing.

A better geographic distribution of development would not smooth out disparities in standards of living, but would aim at eliminating what the regions considered to be unacceptable disparities.

"The goal of regional development should not be to preserve some existing (or historical) distribution of economic growth and development," Dr Scott says.

Before a redefinition of objectives is possible, Dr Scott wants further investigation into the primary problems which give rise to regional grievances and their relationships.

And so Scott's investigations of regional development policies brings us the full circle. A redefinition of objectives is called for. But, first, Scott says "further information on the nature of New Zealand's regional development problems is needed before precise objectives can be defined".

The message of Scott's report appears to be that any further investigation of regional problems, economic or otherwise, is fruitless until some political mechanism is set up to find out what the inhabitants of the regions think these problems are.

Scott concludes that "planning procedures by central government departments will require substantial modification if there is to be a meaningful input from central government at an early stage in the preparation of regional plans. Such changes may be essential if regional planning and regional development policies are to be based on better coordination and communication among the various levels of government."

Such changes, in Dr Scott's view, mean that conflicts between regional and national objectives can be dealt with in a desirable way.

But by spending its energies investigating regional development, the Planning Council and Scott have fallen into the trap designed by central government politicians looking for excuses to do next to nothing for the regions.

Instead of investigating the need for planning, the council might have better spent its resources setting up the machinery for integrating regional grievances into the planning process.

Taxes strike discordant note for record sellers

by Warren Berryman

CLASSICAL music buffs and pop enthusiasts are in for a hammering whichever way the Government directs its policies on the 40 per cent sales tax on records issue.

The Record Industry Association said that if the Government reduced the sales tax to 10 per cent, the retail price of records would be reduced by $2.

The Record Retailers Federation said the record wholesaling "oligopolies" have no right to tell retailers what to charge and is pushing for a 50 per cent markup on records. The current markup is 28.5 per cent.

The root of the problem for wholesalers and retailers is the 40 per cent sales tax.

Doubled by the Labour Government in 1975, the tax helped increase the price of records from $6.50 in 1975 to today's average of $9.99 (well below the inflation rate of 73.2 per cent over that period).

The record retailers' figure that an average retailer holds $40,000 worth of stock on which he pays $11,430 sales tax. Thus the 200 retailers throughout the country provide prepaid tax of $2,286,000.

The federation said it was opposed to any television advertising which carried a recommended retail price and ensure retailers reserved the right to charge whatever price they wished.

Some retailers claim they will pass on to the consumer any savings achieved through a sales reduction. Otherwise, they said, the whole lobbying process against the sales tax is senseless. Unless one can show a direct benefit to the consumer, the campaign has no political appeal. If the sales tax were reduced to 10 per cent and the retailers' margins kept at present levels the average record now priced at $9.99 would be reduced to $7.99.

	10 per cent tax and 50 per cent markup	40 per cent tax and 33 per cent markup
Copy royalty	$0.40	$ 0.40
Artists' royalty	$1.40	$ 1.40
Pressing and sleeve	$1.25	$ 1.25
Total production cost	$3.05	$ 3.05
Wholesale price	$5.00	$ 5.00
Sales tax	$0.50	$ 2.00
Freight, handling etc.	$0.75	$ 0.75
Retailer's markup	$3.12	$ 2.56
Price to consumer	$9.37	$10.31

While retailers pay their bank or finance company 15 to 18 per cent interest on borrowings, the Government holds 40 per cent of their total inventory money.

Some records sell fast. Some go out of fashion. Classical recordings tend to sell slowly. In each case, the Government's impost must be paid.

To remain profitable after paying the finance house, and the Government, the record retailer must reduce the varied selection to those records which move fastest — the pop groups disparaged by Rob Muldoon.

Slower moving lines, such as classical records, become uneconomical in times of high tax and high interest rates.

Every day that records gather dust on the shelf is interest-free money to the Government while the retailer pays at least 15 per cent for that money.

Government and finance houses win; retailers and consumers lose. The situation would be different if sales taxes were imposed, as done overseas, at the time and point of sale.

The Record Industry Association claims the sales tax is "punitive". It said "sound recordings like books, films and sheet music, should not be taxed to make them readily available to the public at the lowest possible cost".

If any tax is to be levied, it should apply evenly across the board and *Playboy* (an item imported tax-free) should be taxed equally with records.

Muldoon commented that of records sold in New Zealand "50 to one are those horrible pop songs and I'm not going to take the tax off them". He also said he would consider taxing girlie magazines

The Record Industry Association and the Record Retailers Federation wants the sales tax removed. The federation pointed out that, apart from the Malagasy Republic, only New Zealand had such a high tax on recordings.

The retailers reminded the National Government of its 1978 election manifesto which paid lip service to supporting the local recording industry. The manifesto said the Queen Elizabeth II Arts Council would be asked how this might be achieved, and said sympathetic consideration would be given to Arts Council recommendations.

The Arts Council has since pointed out the repressive nature of the 40 per cent sales tax on local composers, artists, and producers.

In reply to Muldoon's ... that local records are ... pop groups, the retailers ... to a McNair survey ... that the bulk of records ... bought by over-25-year ...

On the export potential ... the recording industry ... retailers said the Scandin- avian group Abba ... more foreign exchange ... Sweden's auto giant ...

The New Zealand ... Dragon, sold 500,000 ... its most recent album ... profits went to Australia ...

"If New Zealand's ... ing industry was in a ... position, the talents ... earnings of this group ... have been retained ... Zealand," the retailers ...

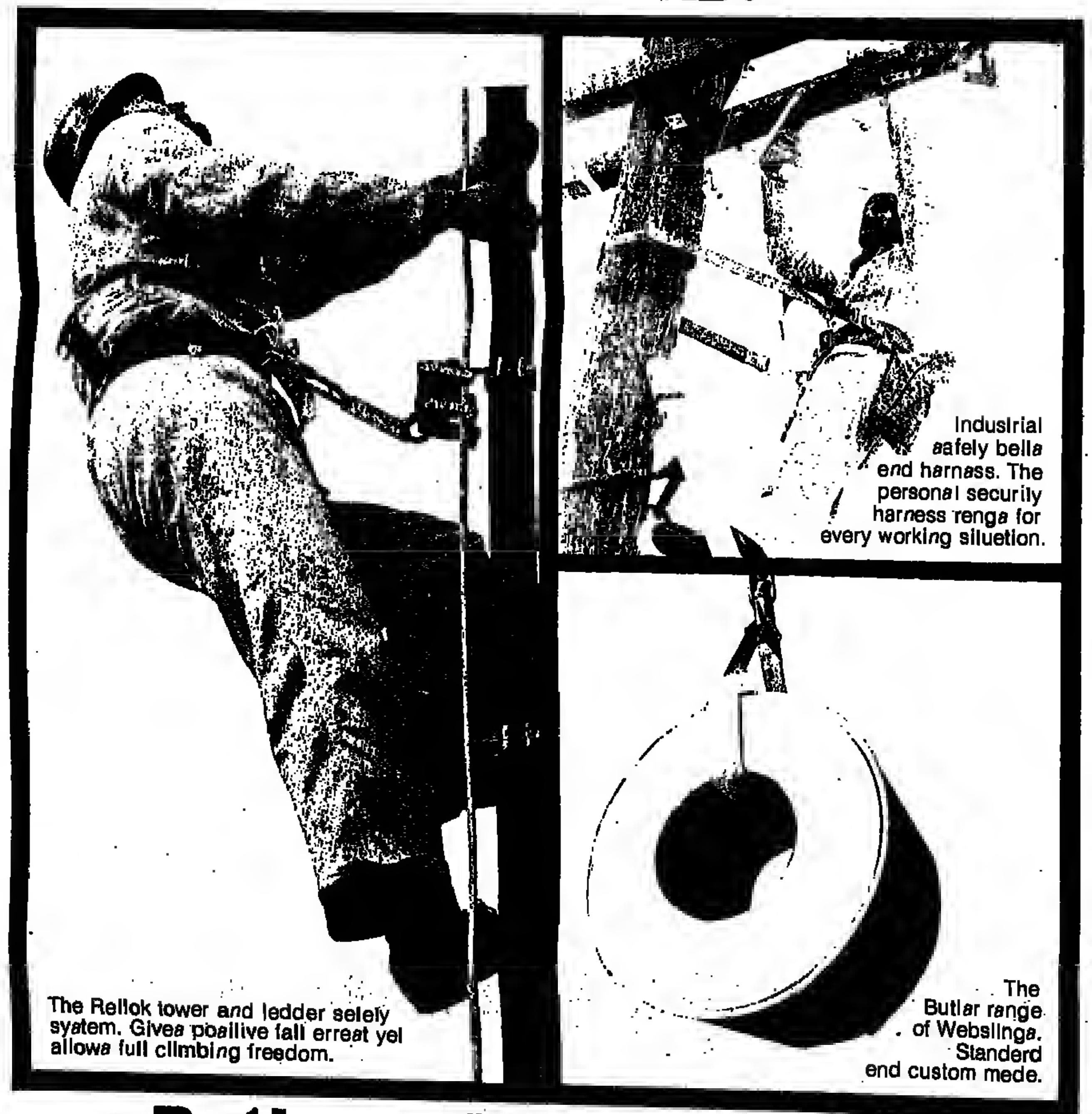
While united in their ... position to the sales tax ... record retailers and ... industry are far from ... on distribution matters ...

The record industry ... that if the sales ... reduced to 10 per cent ... retail price of records ... be reduced by $2. The ... said they made no ... promise and would ... bound by anybody ... promises.

The retailers want ... markups increased from ... per cent to 50 per cent ... tax were reduced to 10 per ... and the markups increased ... 50 per cent the result ... as the table shows.

The price to the consumer ... only marginally lower ... sales tax is reduced ... retailer's margin is incre...

A lower sales tax and ... margin, or a lower sales ... and the same margin ... serve as an inducement ... tailers to carry a wider ... of records, including ... moving classical music



Inefficient industry gets waning protection

INEFFICIENT manufacturing and servicing industries were clearly warned by Trade and Industry Minister Lance Adams-Schneider last week that the days of protection are over.

The Minister told Lower Hutt businesspeople: "Industries which are unable to compete locally or internationally must look closely at themselves. . .

"The Government will help (only) those who help themselves because the economy cannot afford to carry industries which are inefficient".

The Government's recent moves on restructuring meant that efficient import substitution industries could be encouraged, and manifestly inefficient industries discouraged, Adams-Schneider said.

He pointed to the ... industry, where protection ... according to the Industries Development Commission ... had put an extra cost ... clothing of around $1... household each year, or $... per person employed.

In that situation ... Government would only ... courage those sections of the ... industry which could con- tribute to export growth ... said — for example ... production of wool ... products.

He said he expected ... changes would be ... other industry ... down for IDC scrutiny.

To retailers, he said ... open market economy ... ensing of import licensing ... controls would provide ... greater variety of goods.

FOL's fear about shift to "free enterprise"

by Colin James

THE National Party's "free enterprise" catchery is a hypocritical sham designed to cover up a redistribution of wealth, income and power to a privileged elite.

That is the union movement's view of the changes taking place in the Government's approach to economic management.

The view was forcefully expressed in the presidential address read by Jim Knox to the Federation of Labour conference last week.

The address was coherent — arguably the most coherent — articulation of the unions' opposition to the new direction emerging in Government thinking and action.

The unions' fear that what National Party supporters — and many others at many levels in New Zealand society — see as anticipating a new age is in fact a reversion to the days of dog-eat-dog laissez-faire capitalism.

Knox's presidential address traced the rise of capitalism and the suppression of the early unions during the industrial revolution and contrasted it with the growth of the welfare state and the redistribution of wealth to the working class.

The welfare state, the address said, emerged from the crisis of the 1930s "when it was clearly obvious that 'free enterprise' could not deliver economic stability".

"Unfortunately," Knox said, "one of the great lessons of history is that humanity tends to repeat its mistakes.

"We are entering a period of history when the mistakes of the early 19th century are going to be repeated to the detriment of the working class".

Below, *NBR* reports in full the reasons for this view.

Knox said in his address:

"I believe there are three major reasons why a reversion to old-style capitalism will occur.

"Firstly, progressive people are now doubting the success of our welfare system because many social welfare programmes have not reached those people most in need. A good example is health spending which has increasingly enriched the medical profession and drug companies without providing decent service to the poor who need health care. Therefore a number of people who would agree with state provision of these services are not enthusiastic about the present way such services are run. Therefore this role of the state has very lukewarm support at the very time it is under strong attack.

"Secondly, our economic management within the framework of the 'mixed economy' has had a poor record from the viewpoint of working people. The scourges of inflation and unemployment have steadily grown worse. Government controls have been increasingly used against the working class while the focus of state activity has steadily shifted to the subsidising of private business interests. These tendencies have alienated much of the support for state intervention in the economy.

"The third major reason why the old form of capitalism will become stronger is the rapid pace of technological change which weakens the bargaining position of labour. The new technology can also assist greatly in the concentration of wealth and power. It should be remembered that the industrial revolution was largely based on a similar upsurge in technical advance which created the climate for business to demand freedom from control.

"While these difficulties exist and make clear the necessity for a redefinition of the role of the state in the New Zealand economy, the supposed cure of 'free enterprise' is scarcely likely to create a stable economy, let alone a more just and equitable society.

"Indeed even the steps that have been already taken by the Government of New Zealand, expose 'free enterprise' as a hypocritical sham designed to cover up a redistribution of wealth, income and power to a privileged elite.

"These tendencies are best shown by examples:

"(1) Despite a great deal of emphasis on less control by free enterprise advocates, we have seen an unprecedented level of wage control enacted by the Remuneration Act and the Fishing Industry (Union Coverage) Act.

"Thus we have wage control more rigorously enforced than ever, while price controls are steadily dismantled. It is 'less control' all right, less control for the minority at the expense of the majority.

"(2) Another great plank of the free enterprise theorists is that we must remove subsidies which 'distort' the economy. I have not yet been able to discover why subsidies on consumer items like bread, milk and butter distort the economy while subsidies on agriculture, exports and investment in plant and machinery do not. One has to ask why the full rigour of free enterprise economies only applies to the working class.

"(3) One of the most amazing aspects of our free enterprise enthusiasts is that they do not seem to have discovered that modern economies are dominated by large firms. The theoretical argument for free enterprise is that it enhances efficiency by the whip of competition.

"This implies either a number of competing firms or the potential for small firms to compete favourably. That theory does not square up with the reality of sectors of our economy such as banking, petrol distribution, pulp and paper, canned and frozen foods, aluminium, steel, brewing and freight forwarding which are dominated by a few large firms. Their existence also inhibits competition elsewhere — for example, the local grocer or dairy owner is often no more than a very low paid salesman for Watties or Unilever.

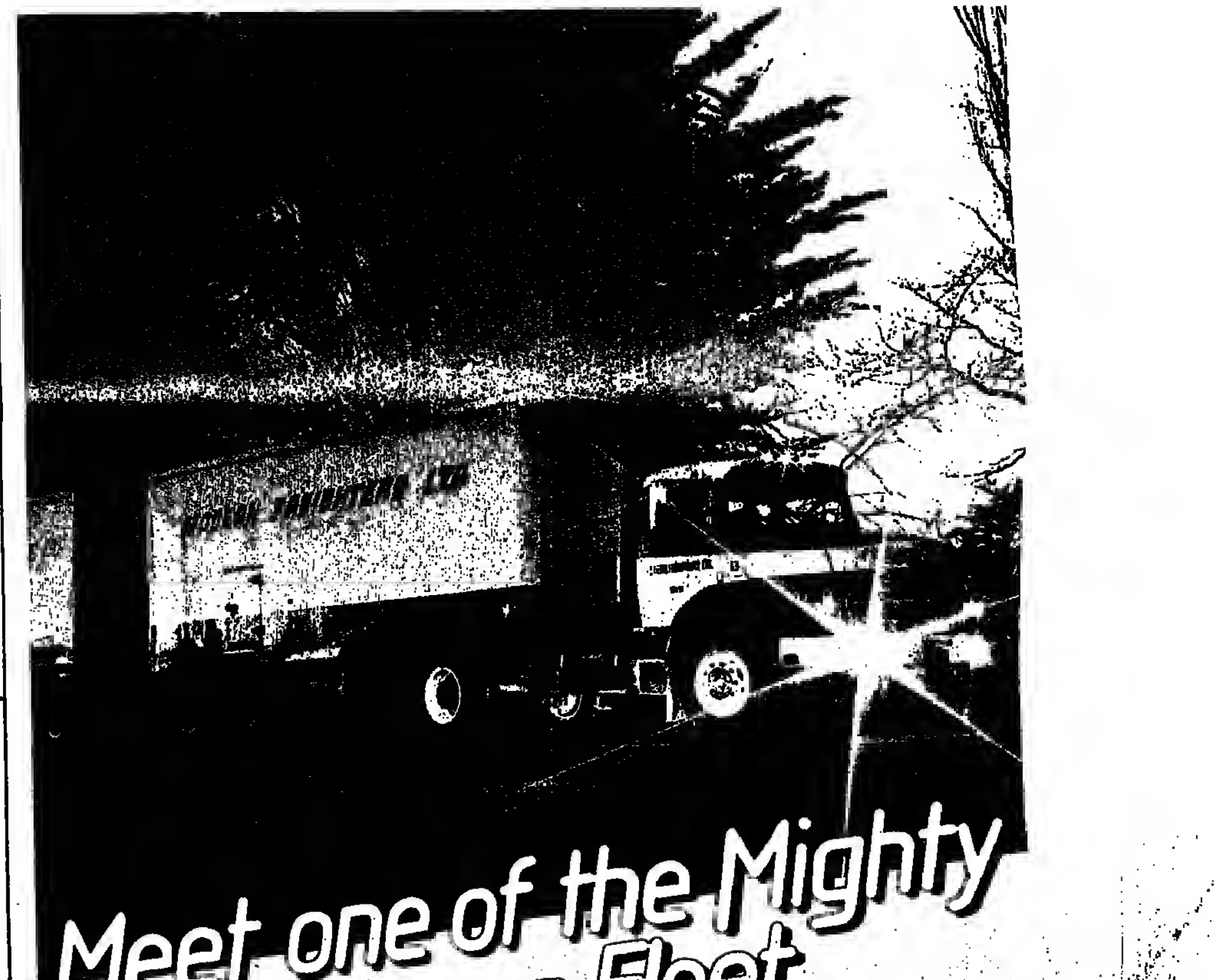
"(4) The same confusion exists when free enterprise arguments are transferred to the international sphere. Local advisory groups parrot the advice of the OECD about free trade and opening up the New Zealand economy to more competition and we are assured that this is the sure way to economic salvation.

"I would have at least thought that our local economic experts before accepting the OECD creed as a 'sure winner' would have at least raised the point why the OECD members in the EEC haven't tried it themselves in regard to agricultural imports.

"These contradictions arise because the real point about the 'free enterprise' campaign is not efficiency but distribution. It is that reality that we must face.

"What is happening is not a restructuring of the New Zealand economy to improve the living standards of all New Zealanders, but a programme to improve the relative living standard of a few and to integrate our economy more fully into the world system dominated by the multinational corporation.

"Of course one of the essential pre-requisites is a docile trade union movement and it is clear that the aim of the present Government offensive is to achieve that."



O'Brien on business

Forecasting errors compound fiscal problems

PETER V O'BRIEN comments on the financial and business week, appraises the share market and analyses company accounts.

ERROR in forecasting forms a significant part of the difference between published Budget estimates and the actual results.

Coupled with the time lags between identifying an economic problem, formulating and implementing an appropriate policy, and reaction to the policy, the errors compound the Government's problem of keeping to its Budget, and maintaining economic stability through fiscal policy.

The Stabilisation Role of Fiscal Policy, by Reserve Bank Chief Economist, Rod Deane, and research officer Richard Smith, (commissioned by the Planning Council) looks at such questions when examining the possibility of improving stability through fiscal policy, rather than taking "widely divergent" decisions each year in pursuit of short-term expedient goals.

The authors refer to other problems which affect understanding and improved analysis of Government budgetary transactions.

They want Budget data published in an adjusted form to distinguish clearly between Government transactions with the private sector, overseas sector and the Reserve Bank, and covering expenditure, revenue and borrowing.

Finance transactions should be published in more detail, including some indication of borrowing intentions in the Budget year. Public finance data should be released monthly rather than quarterly, with less publication lag than at present, even "if early publication were to cover only the main aggregates".

More information and explanation of underlying assumptions about the state of the economy is needed. Deane and Smith recommend that the Treasury could publish further research on the effects of the Budget on the economy, to assist a wider understanding of fiscal policy.

The recommendations are connected with the current debate about information access. Their practicality is no problem. The Australian Government provides much more information about its Budget and the economic background (*NBR*, March 10) without the state or the economy falling apart.

Deane and Smith take a realistic view of the control of Government expenditure. They point out that in 1977-78 about 55 per cent of total Government expenditure went in public servants' wages and salaries and in social security benefits.

(In *NBR*, April 28, when discussing possible Budget policies for this year I mentioned that more than half total expenditure went in salaries and wages. That figure should have included the social security benefits; about 30 per cent of total expenditure relates to salaries and wages).

The authors indirectly show that lack of information made their research more difficult. They point out that understanding of the lag process is far from perfect, " to say nothing of the difficulties of forecasting what might happen to the economy in the future".

Deane and Smith make several specific policy recommendations (indexed taxation and so on) but they take a realistic approach to the problem of implementation.

The authors understand the political process and the pressures which force governments into short-term economic policy, although such questions are outside the limits of their research brief.

A clear statement on the monetary effects of different methods for financing budget deficits is a useful section.

There is considerable confusion among the public on the inter-relationship between budget deficits, their financing, and movements in the monetary base and the money supply.

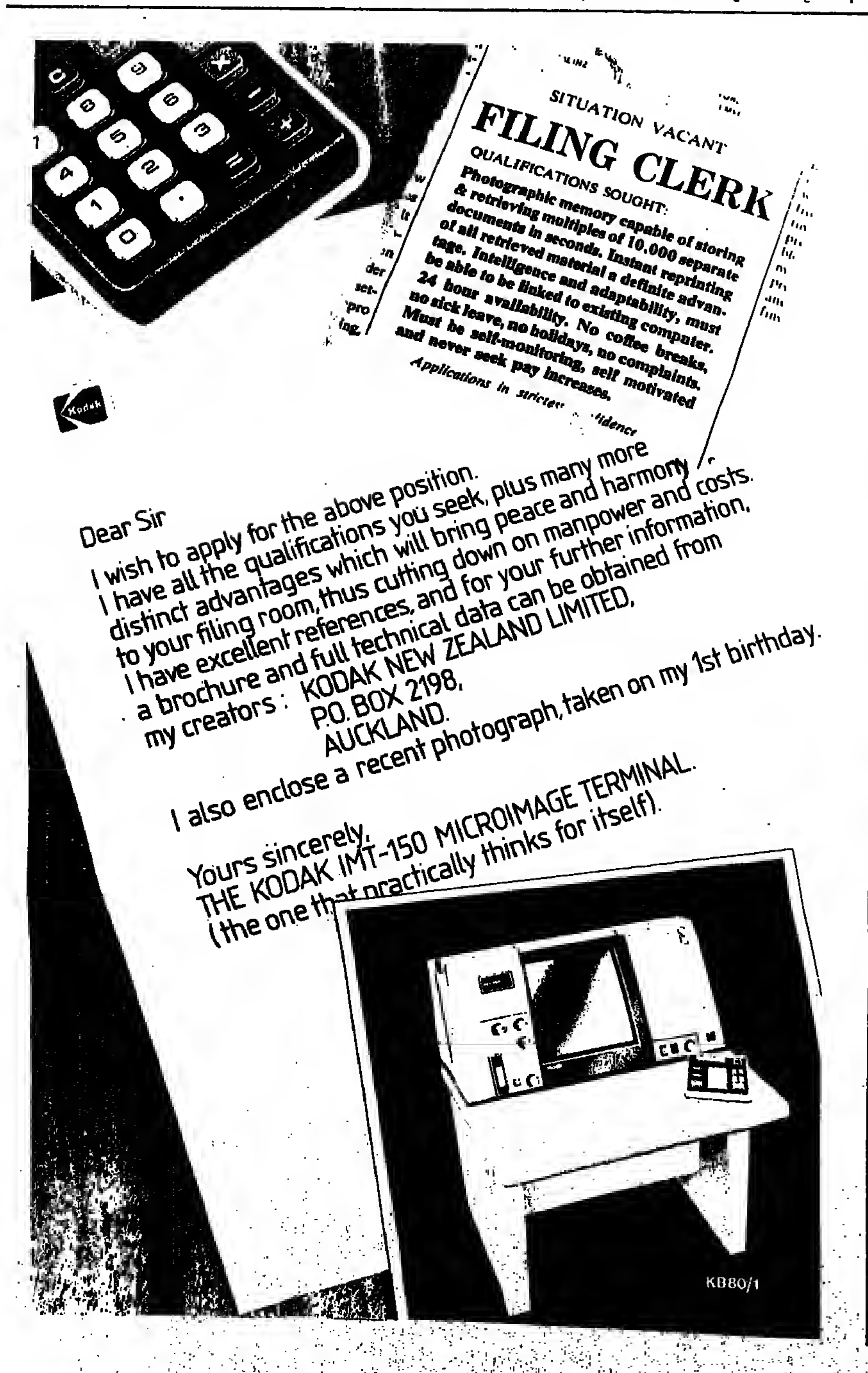
The options open to the government for financing its deficit have to be balanced against the resulting monetary effects, a factor which has an influence on inflation, although it is difficult to assess the exact effect of the Budget on inflation. Deane and Smith argue that fiscal and monetary policy cannot be divorced. The former has a direct effect on the latter, while attempts to maintain monetary goals limit the fiscal options avail... the goals are to be...

They see that all ... interact with each ... Economic management ... complex. There are no ... answers, because a p... one area has spillover ... in others (The recog... this point may give ... better reception with ... Minister Muldoon th... recent documents ... the economy.

He dismissed those ... because they failed to ... nise the interaction of ... unemployment, ... balances, taxation, ... transfer benefits, ... inflation.)

Tables attached to ... report are an importan... tion to the data on the ... Zealand economy ... effects of the Budget ... make a significant ... tion to understanding ... economy and the ... government fiscal pol... unfortunate that Dea... Smith had to provide ... which should be p... each year.

The paper is worth... It improves the image ... Zealand economist... ten suggest policy ... simplifying its soci... political effects.



Company performance must match promise

THE sharemarket has given notice that it will mark down companies which fail to meet its expectations of shareholders' benefits.

It is immaterial that the market's expectations may be too high.

The first companies to report for the year ended March 31 experienced a drastic reaction to their announcements, in spite of substantial profit increases and higher dividends.

Transvision Holdings was the first to issue a preliminary report. Group net profit more than doubled to \$859,500, and the dividend was increased from 11 to 15 cents a share. The market responded with an immediate price cut of 10 cents, followed by an... cents drop to Friday. ...

Last week the dow... trend continued, wh... price came back an... cents on Monday

Apparently some ... of the market thought ... group would lift the di... even higher, and possibl... another bonus issue, to ... the one for four ma... December.

Anticipation of a ... bonus issue in five mont... rather unrealistic, sinc... increased dividend (and ... the interim) is payable ... higher capital.

Even at \$3 the ... provided excellent ... gain over the last year. ... end of April, 1979 they were selling at \$1.55. Purchasers of 100 shares at that time now have 125 shares worth about \$3 each, so they have received an increase of 142 per cent in a year. If they were lucky enough to get out at \$3.35 (only 400 were sold at that price) the gain would have been 170 per cent.

BNZ Finance was the second company to report. Net profit rose to \$1,168,000. Two weeks ago I suggested that the company's result would be in the region of \$1.2 million. The final figure was close to that assessment.

The dividend is raised from 14.5 cents a share to 16 cents, with the final being 9 cents, of which 5 cents will be paid from tax free sources. The interim dividend included 3 cents a share from tax free reserves.

The shares reached \$2.55 last Monday, but immediately after the announcement the selling quotation was \$2.50 with no buying quote on the Wellington exchange.

Assuming a sale price of \$2.30 after this article went to press, the dividend yield, after allowance for the tax free element in relation to an individual on a 60 cents marginal tax rate, would be an effective 12.1 per cent (8 cents a share tax free is the equivalent of 20 per cent before tax, to which is added another 8 per cent, for 28 per cent, with the total then related to a share price of \$2.30).

The company had one or more of three alternatives, as discussed in *NBR*, April 28. Either it could increase the dividend (which it did) or it could have a cash or bonus issue (neither of which it made).

The possibility of a cash issue was based on a rising gearing in the parent company. A higher gearing is confirmed in the preliminary report. Chairman George Chapman said issues of debenture stock continued to "attract strong support from new and existing investors".

Finance companies operate within strict provisions of trust deeds. When their gearing approaches the limit they must raise additional equity capital. BNZ Finance may still be within the limit, but the time is approaching when the company must inject more equity into its business.

I thought, in line with many sections of the market, that the announcement of the preliminary figures for 1979-80 would be a convenient time for the group to come to the market, particularly as it would be among the first to tap shareholders.

The fact that a cash issue failed to materialise last week is no reason to presume that the company can continue with its existing capital structure much longer.

The market probably took the price too high when it pushed the shares to \$2.55. The price/earnings multiple on the outside profit of \$1.2 million would be 6.85 at \$2.55, a hefty multiple for a finance house, even if a cash issue were made.

The higher the price the greater the reaction, an adage which other companies will discover if the market decides the return in shareholders' hands, as opposed to their share of assets, is too low.

That happened with Transvision and with BNZ Finance, and may happen with other companies.

Analysis of discounted future earning rates (*NBR*, April 14) suggested that interest rates of 15 to 16 per cent, related to an appropriate discount figure, would cut in half a projected earning rate six years hence when it was brought back to 1980, before allowance for tax free dividends.

A combination of these "real" earnings' multiples, plus market expectations, was given as an argument that the sharemarket was becoming overpriced.

The present evidence confirms that view. We are likely to see more price cuts as a paradoxical reaction to excellent profit figures in coming weeks.

O'Brien on business

Philosophy of science's application to accounting

ACCOUNTANTS and auditors who are busy preparing annual accounts for 1980 will be surprised to learn that their activities are now related to concepts from the philosophy of science.

Massey University's Faculty of Business Studies has published an occasional paper, *The Application of Science Policy in Accounting*, by Michael J Aitken, formerly a junior lecturer in the faculty and now a lecturer in accounting at the University of Sydney.

Aitken's paper was prepared for presentation at an international symposium on science policy last year in Ghent, Belgium.

According to a foreword by Massey's professor of business studies, George Hines, the symposium was "designed to explore interfaces between sciences, with special regard to science policy."

The paper's approach suggests that academic accountants are working hard to make themselves respectable among their university colleagues.

Accounting departments in universities have had a problem for years, often suffering from the tag of "technicians" applied by those who dwell in the philosophical, scientific, literary, and even legal, groves of academe.

Aitken said "one should not be surprised to learn that under the direction of the academic body the study of accounting in America has shifted away from the consideration of purely accounting matters to the consideration of matters of a more general nature — away from considering accounting theory to considering theory in its most abstract sense as the vehicle by which knowledge is increased. For many reasons, many of them valid, these moves have been criticised. Among the criticisms is the over-concentration, on the new developments to the almost total neglect of accounting".

Aitken thinks there is great potential in this approach, but it must not be overplayed. He quotes an Oxford academic who said "the real opportunity would seem to be the facility to move among disciplines, borrowing models, ideas and concepts and applying them with care; rather than importing whole sets of academic furniture".

Aitken also quotes with approval the views of Ray J Chambers, professor of accounting at Sydney, who prefers to consider the "entity under consideration", rather than the "parties of interest"

George Hines . . . exploration of science interfaces

(creditors, investors, managers). According to Chambers, "the shift does not ignore the participants". It recognises them all.

Up to this point Aitken is on familiar ground. Then the academic accountant's problems surface, particularly when he considers the application of various philosophers' views to accounting. "Another problem which we must, I think, be wary of, is the tendency to become engorssed in the methodology to the detriment of the results achieved from applying the methodology. This is quite common in a **discipline floundering in new ideas, given the fact that academics must play the 'publish or perish' game** (*NBR* emphasis).

"It should now be apparent . . . that there are no absolutely watertight arguments for or against the notion that accounting is a science. Arguments typically end up being decided as matters of personal preference based inevitably around differences of opinion, and simplistic views of particular concepts associated with science".

After 26 pages the conclusion leaves the reader little further advanced than at the introduction. Accountants in the marketplace will see from the following passages that university accounting departments are moving further into the reaches of esoteric intellectual paralysis in a search for knowledge about their discipline.

"Despite the widespread acceptability of Kuhn's thesis it too was considered deficient because of its reliance on a monistic conception of knowledge development. On this score Feyerabend's methodological pluralism seems better suited, at least for accounting. Accepting this difference, there is however a sense in which both these theses are inadequate - neither thesis fully explains how one theory comes to subvert or refute the other.

"It is evident then that research opportunities abound in both the philosophy of science and account. Although developments in accounting to date have been rather superficial as compared with those in the philosophy of science and are attributable to a very select group of accounting academics, **many of whom have not yet adequately resolved to their own satisfaction the function of accounting**, it is hoped that this will change in the future". (*NBR* emphasis).

Aitken considers the "closing of the gap between professional accountants" will arise as a result of this research. He hopes that the research referred to will enhance the depressed reputation of accounting academics so that professional accountants can regain some faith in them and thereby work in the same spirit of co-operation as is considered necessary between various disciplines.

That sounds like the hope of a confirmed academic optimist.

Forestry firm reshuffle sets pace for mass chang

Continued from Page 1

That may be only a minor problem, because a similar situation already exists through Forest Products' associate companies and its directors. Deputy chairman Lew Ross is a director of Andas Ltd (formerly Armstrong and Springhall Ltd). The latter company has office equipment agencies, and Forest Products has a 49 per cent stake in Office Typewriter Co which deals in similar lines.

In the total scheme of a merger, these matters can be ironed out without much difficulty, as can the appropriate form of structure.

When *NBR* went to press little had been announced about a merger, apart from the bald statement that discussions were taking place. The UEB board met in Wellington on Wednesday, and UEB and Forest Products representatives held a meeting on Thursday.

Forest Products has given the Examiner of Commercial Practices informal notice that it is holding talks with UEB.

The merger would provide a counterweight in the forestry and forest processing industries to the aggressively expanding Fletcher group, and would probably foil Caxton Paper Mills' efforts to buy a reasonable proportion of UEB.

The financial institutions assisted Caxton in its bid to obtain about 10 per cent of UEB total capital, including specified preference shares.

Caxton went into the market last Monday, prepared to take shares from all sellers, but the company's broker was already contacting institutions for off-market sales of their substantial UEB holdings.

Several institutions accepted the offer, in line with their normal practice of taking a reasonable price for large parcels of shares. That may increase the wrath of Prime Minister Muldoon who dislikes life funds abandoning their "passive" investment role; whatever he means by that term.

Life funds have a twofold responsibility to their policy-holders.

First, they must preserve the capital funds to meet commitments under policies. Secondly, they have a duty to maximise the return to policy-holders by way of a bonus so that a life policy is cushioned from the effects of inflation over its term.

Life policies are taken out for protection, for tax allowances and for a "nest egg" in the case of endowment policies.

If Muldoon dislikes "active" investment (and life funds have traded part of their portfolios for years, although they usually have to sell off-market to other institutions because their holdings are big enough to swamp the market) he could tackle the inflation rates which put pressure on investment managers to raise the returns to policy-holders.

Failing that, he might abandon his doubtful image of being an expert on every conceivable subject from pop culture to equity portfolio management.

The institutions were the main sellers of Carter Holt shares to Fletcher, allowing the latter company to acquire most of Carter in a few days.

Legal wrangles surrounding the Fletcher bid are unresolved. It may be several months before the various questions are dealt with.

Actions are pending in the Auckland High Court. The Commerce Commission meets on Wednesday to consider applications to set aside its restraining orders on Fletcher, and the Examiner of Commercial Practices has "formed the provisional view" that the bid is contrary to the public interest.

Fletcher has the right to discuss the matter further with the Examiner. If he is still unconvinced, the issue will go to the Commerce Commission.

Forest Products told the Examiner informally that it is talking with UEB. The proposed merger could also finish up at the Commerce Commission.

The vertical and horizontal integration of the fibre packaging industry might be considered a matter of sufficient public interest to warrant a Commerce Commission hearing.

Any scheme to bring Forest Products and UEB together will be played "by the book". This was shown last week when UEB issued a "don't sell" notice to the Stock Exchange on Tuesday following the Caxton thrust in the market.

Chairman Lyn Papps said he fulfilled his "duty" at the earliest opportunity. Shareholders and the public can be assured that the companies will conduct their affairs in a similar manner if a merger takes effect.

This action differs from Fletcher's procedure in the Carter Holt affair.

Fletcher may have an answer to the record of conversations attached to affidavits filed with the Com- merce Commission ... quotes managing ... Hugh Fletcher.

He is alleged to ... Carter representative ... company used in ... acquisition ... because a standard ... approach would ...

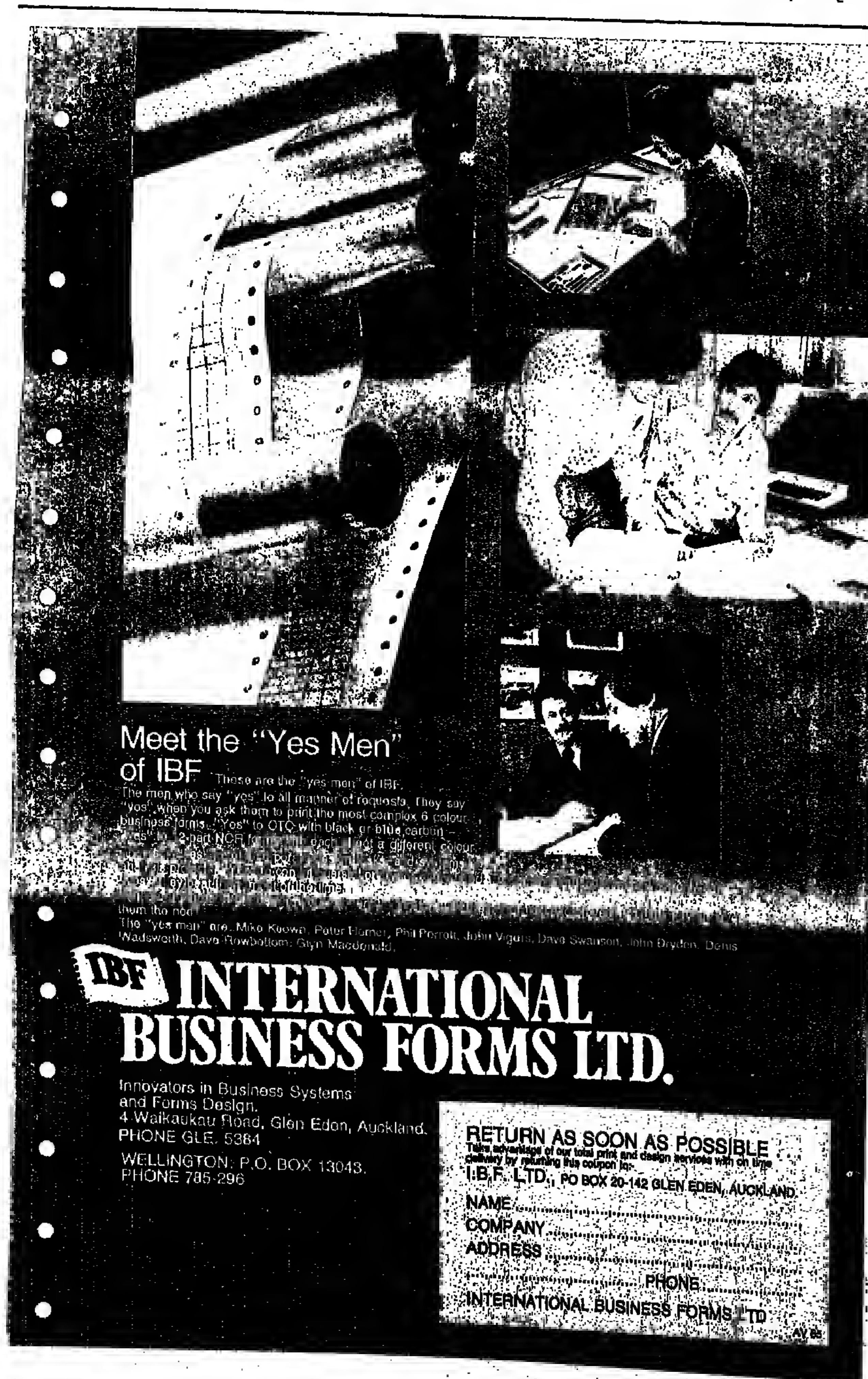
When those ... added to the Carter ... that Wellington ... Jarden and Co ... shares for Fletcher ... Carter was awaiting ... from the firm to ... and bonus share ... dations, the propos... over tactics are ... rather messy.

The broking firm ... nothing about its ... be that different ... handling each ... terests, in which ... need to brush up ... communications ...

Basic questions ... are involved in ... legations about ... Co. Agency is a ... law with many ... sharebrokers under ... Zealand system ... same people ... ing, jobbing and ... functions.

The Forest Prod... discussions and ... Fletcher/Carter ... have given notice ... Zealand industry ... massive changes ...

The commercial ... seen rapid moves ... many industries ... be prepared for ... developments before ... December.



Tax move for recovery productive investment

A TAX move planned to beat inflation is the chief ingredient of the Manufacturing Development Council's recipe for achieving a recovery of investment in productive business.

The council's proposal – based on the Government's own thinking in relation to inflation-proof savings bonds – has been put to the Government.

But in order "that thinking will not be polarised at too early a stage", details will not be available to the public at this stage, council chairman John Hammond said.

The proposal is expected to attract considerable opposition, because it could involve a reduction in Government revenue and could open up a Pandora's box of new tax avoidance possibilities, Hammond said.

Therefore he was not suggesting any hasty changes, but "I would hope that between now and the end of the year there could be an active dialogue with Government on the role of savings in this area and the mechanisms necessary in order to encourage savings. . ."

Backgrounding the proposal – which would entail changes to the income tax legislation – Hammond said it was becoming increasingly difficult for the business sector to find projects which had a sufficiently high rate of profitability to provide margins for taking risks over and above the cost of funds employed.

"These funds are costing businesses as much as 17 per cent or more which means that the least a business has to earn, even on a historic cost basis, is perhaps in the region of 25 per cent," he said.

Sourcing those funds ... least as big a hurdle, Hammond said.

He pointed to the ... ufacturers' Federation's ... research programme – ... dependent on further ... ment – but one prog... alone would not get the ... omy going.

Attempts to stimulate ... vestment which ignored ... need to curb consum... would also in most cases ... doomed to failure, he said.

While curbing con... tion has so far proved ... sible, Hammond said ... was one way which had ... been adequately used ... ings had to be made more ... tractive.

There was ... adequate store of ... today's financial ... to protect the purchasing ... power of savings, he said ... inflation-proof savings ...

The council did not wish ... encourage tax avoidance ... Hammond said, but ... financial and fiscal framework ... in which business ... should recognise the ... of the inflationary ... which we seem likely to ... tinue to experience for ... years to come".

The proposal could ... labelled with the ... "indexation", but justification ... for some kind of indexation ... savings should not necessarily ... be regarded as a precedent ... that *all* incomes should ... protected, he said.

Nor was he suggesting ... the proposal be implemented ... hastily, "but I would hope ... businesses could look forward ... in the 1981 Budget to ... encouragement to investment ... in productive assets," he said.

World cold-shoulders Chile's military ruler

by John Draper

NO-ONE outside Chile wants to know its seemingly invincible military ruler, General Augusto Pinochet.

Spurned by the Philippines, politely held at bay by Japan, Pinochet cannot make the state visit he desperately wants to gain full international recognition for the military junta that overthrew Salvador Allende in 1973.

His first state visit was a disaster. President Marcos of the Philippines, cancelled the invitation while Pinochet was airborne for Manila.

That humiliation, compounded by a demonstration by a reported 4000 people at Nadi and a "we would rather you were not here" stance by the Fijian Government, was too much for the Chilean leader.

Foreign Affairs Minister Hernan Cubillos, appointed in 1978 to improve Chile's image abroad, was invited to resign. He refused and was immediately dismissed to make way for a career diplomat and an announcement by Pinochet that he personally would be taking a closer interest in the running of the ministry.

Planned state visit number two, and far more important, to Tokyo is now in jeopardy. Japan indicated last year it might be willing to accept the Chilean leader "at a mutually convenient time" without specifying when.

Chile has been pushing for October and a delegation left after the Philippines fiasco to make arrangements in Tokyo.

The Japanese are known to be lukewarm, consulting with their Pacific neighbours – including New Zealand – on the implications. They may defer the invitation.

That would be a further blow not only to Pinochet but to Chile's national pride, the prop the wily politician inside the general's uniform turned to on his return from Fiji.

Failure to win acceptance both personally and for his administration may well be Pinochet's downfall.

Pressure for someone to accept him, particularly among the Pacific Basin nations, is growing.

Hints are dropped in *El Mercurio*, the Government supporting daily newspaper, that invitations might be forthcoming soon.

And the newly accredited Indonesian Ambassador to Santiago was concerned to learn in *El Mercurio* that he was to extend an invitation to Pinochet to make a state visit to Djakarta when he formally presented his credentials.

Yet Pinochet's grip on the country seems firm. All alternative leaders and potential leaders have been quietly removed or resigned to the extent that criticism of the junta's policies from within can now even occasionally be aired in public, without inviting Pinochet's vengeful wrath.

Observers in Santiago foresee only three chances of Pinochet's hold being prised loose. An international kerfuffle disgracing Chile, such as happened with the Philippines is a possibility – one that this time Pinochet survived.

More difficult to envisage is a domestic political blunder of such magnitude forcing Pinochet to step down. The third possibility is an economic catastrophe, an event only likely if world copper prices slump dramatically.

For the fourth year running the Government rejected a request by union leaders for a public rally on May 1, International Labour Day.

This year, those arrested are likely to spend longer than just a few days in the cells. Powers taken by the Government allow banishment to remote country districts for three months without reference to the courts. People are already in domestic exile for a demonstration earlier this year.

Despite its overwhelming grip on the country, supported by an unquestioning army, (the strongest of the four military forces), the junta cannot afford to authorise demonstrations. To do so would be to open a chink in an otherwise impenetrable door through which political forces backed by popular support would inevitably push the military from power.

Politicians have become relatively impotent since the military coup seven years ago. The left is dishevelled and fragmented.

The Christian Democrats hold the centre but cannot consolidate, because political activity is banned.

The Communist Party still exerts considerable influence, particularly in the industrial unions, and discreetly distributes its literature.

The right wing is poorly organised, and unlike other military dictators, Pinochet has not attempted to found a pro-government party of the right for fear that it might grow beyond his control.

But politicians are working quietly towards returning Chile to democracy, waiting for Pinochet to go. His death or removal by the junta will be the catalyst some are waiting for.

Already, some claim, the three elements necessary to ease the military out in a peaceful manner are slowly taking shape.

There is confrontation between factions in the existing regime. These are likely to increase.

The sacking of Cubillos, seen by many as the bridge on a long term road back to democracy after the "election" of Pinochet as president for a six-year term, is the first major example of the growing dissent. Cubillos was the one right wing heavyweight likely to be acceptable to the military and international opinion.

As the dissent grows, it is hoped the right-wing supporters of the Government, the entrepreneurial class, will lose faith in Pinochet, perhaps filling the vacuum now existing for a right-wing party.

The second condition, the creation of a social and political coalition not moulded by the military, no longer seems beyond the realms of possibility, (at least to the Christian Democrats).

Thirdly, in the Christian Democrat view, a coalition would need an economic policy aimed at redistributing wealth while providing incentives for entrepreneurs -- a mixed economy.

The junta's open market "Friedmanite" policies are strongly criticised for further hardening the class lines in an already strongly structured society.

In the long term, the policies – if allowed through – should improve living standards for all, but it is argued by Government centres that the time span needed is up to 100 years.

Meanwhile the lower classes suffer as jobs are lost to imported goods now entering freely, with only a 10 per cent tariff while industry restructures towards export competitiveness.

And while the less well off suffer, the rich accumulate more wealth from the freedom to buy and sell where they please.

Politicians fear that a long reign by Pinochet and his junta will leave an impossible task for any incoming civilian government as it tries to grapple with the impossible problems and pressures of two societies, not one.

The next six months are likely to be a critical period for Pinochet's apparent aim of ruling until 1990. If he wins the international recognition he wants, Chile may be stuck with him.

The alternatives are one reason he may well survive -- those who might take over if he should fall are even further right, making even Pinochet appear a Liberal.

Admark

Newspaper group drops retail ad distinction

by Grev Wiggs

IN a spectacular move that crashed through the entrenched policies of the newspaper world, Wellington Newspapers Ltd, a division of Independent Newspapers Ltd, has abolished the distinction between national and retail advertising for commission-bearing purposes.

A circular sent to advertising agencies last week advised:

"Starting July 1 all four Wellington Newspapers' publications have been authorised to offer NPA accredited agencies 20 per cent commission (the normal 15 per cent plus 5 per cent on all retailing advertising".

The four publications are the *Dominion*, *Evening Post*, *Sunday Times* and *NZ Truth*, although the latter two, being national papers, have always paid commission.

Additionally, volume discount rates, covering all four newspapers, have been introduced.

A space order for a prescribed volume of space in any one paper will allow the advertiser to apply the appropriate space rate in any of the other publications. Or if the total space booked for all four newspapers accumulated to 30,000 cms then the individual 30,000 cms rate would apply for each publication.

Retailers are not overlooked in the new deal. Direct advertisers will be entitled to a discount of 10 per cent if payment is received before the 25th of the month following and a 15 cent per single column allowance will be made for supplied camera-ready copy.

The concessions are accompanied by an increase in rates.

"We believe that if an agency produces work, it is entitled to its remuneration," Ian Wells, Wellington Newspapers' business and marketing manager said.

"The old division of national and retail no longer applies and an agency can get commission on any display advertising."

Asked if this move did not fly in the face of long-held NPA policy, Wells replied that it was certainly a departure from previous understandings on what was or was not commissionable business.

"But this is the way Wellington Newspapers will conduct its business," he said.

"It is logical. It is competitive. It is, we believe, a sound business decision."

The policy of the NPA from its inception has been to pay advertising agencies commission on national advertising, but to refuse it in the case of local or retail advertising on the general assumption that the paper, through lack of an alternative, will get the business anyway.

With the growth of national retailers, such as Woolworths and McKenzies, the position has changed considerably. Agencies moved in to take over all the duties formerly performed by the newspaper or the advertisers ad department.

They provided final print-ready material in exactly the same way as they did for national clients. With no commission income, the agencies were forced to charge service fees to their clients.

There have always been a few newspaper backsliders prepared to pay commission to secure business they badly wanted but such divergencies entailed patchwork buying arrangements.

Wellington Newspapers' isolated action represents a challenge to the establishment. It could spread to other members of the INL group and be influential in breaking down commission barriers in other newspapers.

NPA spokesman Michael Thompson remarked: "Wellington Newspapers obviously see the new rate structuring as an innovative move but as the NPA is not involved in members' individual marketing decisions it would be inappropriate for me to comment further".

Ross George, president of the Association of Accredited Advertising Agencies, welcomed the announcement.

"This is a tremendous step on the part of Wellington Newspapers," he said.

"It follows the commission arrangements that have been in force overseas for many years, where retail accounts are keenly sought by agencies. The move recognises that agencies have a bigger role to play, particularly in the handling of advertising for retail chains and multiples.

"And it must be more economical to pay commission rather than provide staff to service retail business.

"In Wellington this will result in an awakened interest in retail advertising by agencies which can only be beneficial to the Wellington papers".

Pat Smith, chief of Holt Advertising which for a long time has been handling print advertising for the national retailer, McKenzies, welcomed the news.

"This is a terrific ... ward which recognise ... reality of the situation ... said.

"Simply, it means ... you give the service ... and hold the business ... think of no better ... siness enterprise than ...

"The collateral be... that a general move ... nature will eliminate ... amount of rate hype ... has existed through ... years.

"It will be the job ... agencies currently ... retail account to ... their clients that the ... ready discount and the ... cash discount will ... than compensate ... saving in agency fees ... costs of setting up ... tising department."

Working on a ... basis in print and ... commission from ... media, agencies have ... moving steadily ... field over recent ...

If commission ... became a widespread ... tice, the pattern ... business could ... sweeping change

In print media ... far and away the ... tegory of advertis... three top retailers ... to Press Research ... each spend over ... in newspapers.

In Britain, the ... vertisers are all ... but one is handled ... vertising agency

Self-awarding award

A FULL-page newspaper ad released by Campaign Advertising recently would have resulted in many a double-take by advertising people.

It was headed "1980 Campaign Advertising Awards" and reproduced 11 pieces of advertising material, such as TV stills, a showcard and a direct mail piece.

Under each item was a citation. Example: "Category: Best Press Advertisement. Advertiser: Auckland Savings Bank. Product: Young Accounts. Agency: Campaign."

It resembled the type of announcement an agency would run proclaiming success in an advertising competition.

After closer examination, it could be seen for what it was — an agency making use of the award-winning stereotyped format to proclaim its virtuosity in a variety of advertising media techniques and awarding itself or its clients a best performance in each category.

To discern this, you would need to be aware that the likelihood of any agency winning across the board was miniscule and that no such recent competition had been conducted anyway.

The ad could be regarded in a number of ways: as a flip comment on advertising awards; as a direct compliment to the good... of the clients featured ... narcissistic piece of ... dulgence.

The verisimilitude ... chest-beating ... award-winning ad ... would have conveyed ... significant number of ... who run and read the ... paign Advertising ... recording actual ... an actual contest ... could have misled.

The agency, in ... gement of executing ... sically good idea ... failed to allow for the ... interpretation the ad ... receive.

Obviously there was ... tention to deceive ... we would be surprised ... wrong impressions ... resulted.

Commenting on ... tique, Kevin Bligh ... partner.

"Misleading? Not ...

"It is an accepted ... of making a ... statement on the ... strengths and ... paign Advertising ... what the advertisement ... and means.

"I am convinced ... who saw the advertisement ... firstly read it and ... gained a better understanding ... of Campaign ... abilities. Which is ... advertising is all about"

Association expands

THE appointment of a full-time executive director is the first step in what the president of the Association of Accredited Advertising Agencies sees as its expanding role.

"Undoubtedly the association has grown considerably in recent years," president Ross George told *Admark*, "and the role of chief executive, normally assumed by the incumbent president, has become too burdensome.

"There are more issues impinging on advertising. There is a need to monitor ... tion, to gather and ... formation, to maintain ... contact with media and ... government ... departments ... Such a move will broaden ... flow of information ... members".

After representing ... majority of accredited ... cies for 30 years in an ... trusive fashion, the 4 A's ... would seem, is prepared ... adopt a much higher ... mercial profile for the ...

Regional development

Call for Cabinet regional planning commitment

by Colin James

FEW people want regional planning.

The central politican has never been enthusiastic about giving up any of the power that makes him self-important in a country of mediocrities.

The local politician does not want to give up any of the dwindling number of activities he is allowed to spend rates on.

And the uninitiated, like me, pales at the thought of another bunch of dined, wined and remunerated politicians (not to mention bureaucrats) to tell them what to do, eating up my rates and taxes.

Even Planning Council members, according to chairman Sir Frank Holmes, "are not united in their views about the advantages of a regional approach to planning and development".

But the Planning Council is charged with "advising the Government on links between national and regional planning." So a task force has been putting together just such advice and the council has now passed it on.

First, it tells Cabinet ministers: "Commit yourselves".

"Setting up mechanisms for planning and co-ordination is not enough. Co-ordination achieves nothing if there is nothing to co-ordinate. Planning vacuum cannot excite much interest."

That commitment means:

- More systematic medium-term planning of central Government expenditure, with objectives and plans made available to the public or at least in local and regional authorities;
- National policies should be considered in relation to each other for their national and regional impacts. "The lack of a national planning mechanism to do this is a major drawback to effective regional/national planning";
- "A more positive attitude by central Government on the one hand and by local government on the other to use regional planning as an effective vehicle for the concept of 'partnership'."

The central Government will not take regional planning seriously — which means handing over administrative functions and money — if it believes regional planning is ineffective and not supported from below.

Local government will not co-ordinate in regional planning as long as the central Government does not seem to be committed in spirit and funds.

In a telling paragraph, the council says: "Attitudes in many parts of New Zealand are not conducive to taking full advantage of the potential of regional planning."

Stumbling blocks:

- "The negative attitudes of some local authorities, especially rural ones, to united councils";
- "The lack of a regional consciousness among locally appointed representatives with local loyalties (and no sense of accountability to a regional electorate);
- "The perceived danger of a further tier of government in a country which many believe suffers already from a surfeit of planners and bureaucrats";
- "Concern at the lack of a secure revenue base."

Ways to get over the stumbling blocks:

For one thing, the council says, ministers and departments will have to give higher priority to planning and each major department should "develop a regional focus", which presumably means looking at policies to see how they operate region by region.

Second, involve the Cabinet as a whole in the planning process, so that portfolios like transport and agriculture with crucial regional implications are included in "regional" matters.

Next, set up planning units in the departments to "look at objectives, programmes and forward planning" in a "medium-term focus".

And co-ordinate the output of these units — through a "core group", located in the Ministry of Works and Development, the Treasury, or, preferably, in the office of the Minister of National Development.

This mini-think-tank, with people skilled in many disciplines brought in from outside the public service and within it, would also prepare and regularly review planning guidelines.

At the regional level, the council wants a "college" of relevant people, including members of Parliament, development councils, hospital boards and so on and people from the private sector, as a consultative mechanism for regional or united councils.

And it says departments should become involved at the regional level in planning, perhaps preparing regional budgets.

The council sees merit in the appointment of a regional "prefect", a sort of co-ordinator without legislative authority along the French model.

By the time one gets to this point in the council's report, visions of mushrooming offices and costs are rising before one's eyes.

It is not surprising that a cost-cutting Cabinet should be "ambivalent" in its attitude to regional planning, that it has so far preferred rhetoric to action and that it has kept the regional tiger cub on a tight ("derisory" is the council's word) financial lead.

What do we get back from the expense?

The council argues that the new planning legislation which started us on the regional road "embodies a concept of planning which is more dynamic and more positive than the former emphasis on land-use controls.

"If planning is to be concerned with developing the full potential of a region, rather than imposing restrictions, it follows that there will be much greater scope for initiatives which come up from the local and regional level."

And, the democratic clincher: "The new concepts of planning see a greater number of decisions being made closer to the people who are affected."

All very desirable in an age in which, as the council notes, "the move away from traditional forms of central intervention and control seems to be occurring within democratic government almost everywhere."

But it ignores one simple truth: that the citizen of a city the size of Wellington (around 140,000) feels as remote from his city council as he does from the central Government.

Devolving power from the Beehive to a Wellington regional authority (around 320,000) may make the central bureaucrats feel noble. The guy on the Miramar bus probably would rather keep his cash in his pocket.

Motoring

Todd Motors' sales efforts eclipse longtime market leader

Motoring Writer

TODD Motors Limited, Toyota New Zealand Limited and Mazda Motors New Zealand Limited are clear winners in the latest Post Office motor registration figures for new cars.

In the month of March each shows significant gains over preceding months and 1979 final figures. Todds captured 20.5 percent of all new sales, — its best month ever — eclipsing longtime market leader, Ford Motor Company.

Toyota has moved from a 13.5 per cent share in 1979 to 18.9 per cent in March, with its first quarter being 0.3 per cent higher than New Zealand Motor Corporations 15.7 per cent.

Mazda has also started the year off well and could pose a serious challenge to Datsun for sixth place.

Ford is the loser, though it still retains number one status for the first quarter.

General Motors continues to be stuck in reverse gear.

NZMC will be looking to the recently announced 1980 Civic from Honda as their silver lining for shareholder satisfaction.

The three front-runners all rely on the offerings of Japan, whose cars took 60.2 per cent of the market in March. The three month average is a record 54.2 per cent (48.4 per cent in 1979).

Sales of Australian cars are also on the increase, although when the enthusiasm for Ford's XD Falcon and Holdens Commodore drops, cars from that country will go the way of those from Britain.

Cars with engines smaller than 1300cc are still in greatest demand, but there has been a build-up in interest for cars in the 1301-1600cc category. This is significant, because the offerings in this sector are not as good as those on either side. The market could be ripe for new entries.

Volume sellers at present are Honda's strong-selling Accords, for which demand still often exceeds supply.

Chrysler Avenger is still in demand and a new Subaru almost completes the offerings for a medium-size car with a medium-size motor.

More sales are being notched up by small luxury cars. Escort 1.6, Ghia and Lancer EX GSL, while the majority of Cortina, Sigma and Corona buyers opt for the larger 1.8-2.0 litre engines.

Overall sales of new cars are ahead of those for the corresponding period last year.

In the first three months this year, 17,621 new cars have been registered — a [illegible] per cent increase on the corresponding quarter for 1979. This points to a total exceeding 70,000 units for the year.

Last year 68,159 new cars were sold, so latest figures indicate that either sales will go above the stated Government desired level of 65,000 (by up to 10,000) or there will be some economic fine-tuning later in the year.

Prices appear to be reasonably static, especially on Japanese products. Any significant change in demand will have to be Government-induced.

[illegible] is concerned, to modernise the New Zealand fleet.

Maybe Budget night will bring changes. Maybe we will see some sensible plans for rationalisation. Maybe there will be plans to reduce the total number of cars used.

A large increase in annual registration fees, say as high as $200, would encourage private owner to reappraise their two-cars-plus status, which would reduce total mileage and demand for cars

The best-laid plans of mice (a critique of New Zealand transport fuel strategies)

by Erich Geiringer

THE first of a three-part series by Dr Erich Geiringer which questions the Government's fuel strategy. This week's article reviews the Government's performance from 1973-79.

SHORTLY after World War II, it became clear that the days of unlimited and cheap petrol were numbered. But that was the last thing Western politicians wanted to hear.

When the Arabs spelled it out to them in 1973, therefore, it came as a tremendous shock.

Harsh things have been said about OPEC, but in husbanding their only valuable resource the Arabs are only being reasonable. Indeed, the oil embargo and the sharp increase in oil prices in 1973 was probably the greatest service they could have rendered Western nations who otherwise would have spent at least another decade heedlessly depleting the oil resource without a thought for the future. The fact that many of them are doing exactly that can hardly be blamed on the Arabs.

In Western countries with large populations, extensive industrialisation and a paucity of hydro-electric and geothermal resources, the oil crisis translated itself into an energy crisis because oil was largely used for industrial purposes — particularly for the generation of electricity. As a result those countries began a frantic search for additional electricity and for new sources of natural oil.

However expensively, this would prolong the life of industrial systems which were too massive and complex for rapid restructuring on a new energy basis.

But New Zealand was in a uniquely fortunate position. With hardly any population or industry to speak of, in relation to its ample hydro-electric and geothermal resources, and with newly discovered extensive fields of natural gas, we had — and have — no energy crisis.

All we were faced with in 1973 was a crisis in the economic supply of liquid transport fuel. And all we were required to do was to get rid of our dependency on petrol through conservation and substitution.(1)

This could have been achieved with considerable ease so that, today New Zealand could be independent of foreign oil.

What happened instead is incredible to relate. From 1973 to the beginning of 1979, under Rowling and Muldoon and egged on by electricity departments and power planning committees, New Zealand was behaving as if our energy problem was identical to that of the United States or Britain.

Hardly anything was done to lessen our dependence on foreign motor spirits. Instead, vast amounts of energy, time and loan money were sunk into unnecessary electricity projects.

Hydro-electric plans were pushed ahead with full speed and our natural gas, which could have been used almost immediately as a substitute for motor spirits, was diverted into new thermal power stations for the generation of unnecessary electricity with further such stations being planned for the future.

HOWEVER sophisticated the arguments in defence of the hole-in-the-ground strategy may seem, the psychology is that of a person who plans his future by buying Golden Kiwi tickets

While this 25 per cent excess of electricity was being put into place, our politicians and power planners were busy laying the groundwork for the next and most extravagant piece of insanity.

In 1976, we were told that without nuclear power we would be in dire trouble and that the work on such stations had to begin, at the latest, in 1979. It took a third of a million ordinary New Zealanders and a lengthy Royal Commission to persuade the experts not to be so stupid: and had it not been for a fortunate economic downturn, it is doubtful whether even then the Government could have been persuaded to disregard the demented advice of its technocrats.

After all, are they not still determined to drown the Clutha to save face?

During this prolonged period of insanity the question of motor spirits was not forgotten. But instead of doing the obvious — which was as quickly as possible to get out of a technological bind that was becoming increasingly, economically and politically dangerous with every passing day — the Government, again in imitation of its big brothers, started to pour money into holes in the ground.

Where the Arab oil embargo of 1973 should have served as a warning to reasonable Governments to get out of petrol, it merely served to whet their appetites and awaken their greed.

However sophisticated the arguments in defence of the hole-in-the-ground strategy may seem the psychology is that of a person who plans his future by buying Golden Kiwi tickets.

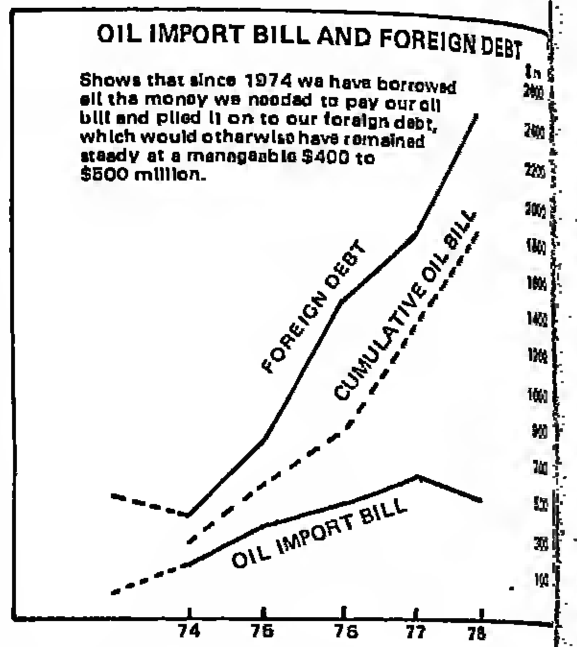
About $25 million of public money has been wasted so far. The spending of $60 million more is planned this year.

But the real tragedy is that hole-in-the-ground Governments don't get on with the politically thankless task of creating a new transport fuel base. They live in the hope that something will spurt up.

Something eventually might spurt up. But unless it does so at an economic cost (highly unlikely) AND in quantities which would make us independent for a long time (equally unlikely), we derive more harm than from remaining caught in the oil trap for another decade or two.(2)

(1) Only 31 per cent of our oil is used outside the transport sector. In West Germany, conversely, only 20 per cent of oil consumption is for transport.

(2) When the real crunch comes, it is even doubtful whether being a smaller country with a big oil well would be more of a curse than a blessing. Even big countries like Britain seem to have derived little benefit from their expensive new oil wells. The reason (which would apply to New Zealand) is that the oil puts up the value of the currency, which destroys the export trade.



Although much of the blame for the disastrous energy policies of the 1970s must be laid at the door of bum experts, the hole-in-the-ground strategy has strong political overtones. It is part and parcel of the fast-buck philosophy which inspires our politicians.

Certainly, whoever happens to be Prime Minister when the latest hole-in-the-ground begins to gush, can count on being re-elected even if, in the meantime, he should have suffered a bilateral hemispherectomy.

ALTHOUGH much of the blame for the disastrous energy policies of the 1970s must be laid at the door of bum experts, the hole-in-the ground strategy has strong political overtones.

The beginning of 1979 therefore found New Zealand still 85 per cent dependent on imported motor fuel.

The cost, meanwhile, had increased enormously (see graph) and our increasing load of foreign debt was further added to by the expenditures on unnecessary electricity projects and on holes in the ground.

Water was spilling over the dams and we were beginning to look around desperately for people to buy our unwanted energy for the production of which we had got into debt and destroyed our environment. Not exactly a sellers' market.

It would be charitable to say that 1973-1979 had been years that the locust had eaten. More accurately, though less elegantly, they were the years that ate the low costs.

These years were not simply wasted, they were busily employed to dig New Zealand deeper into the shit.

It was at that moment that the Shah of Iran came unstuck. Oil supplies were threatened, oil prices rocketed, and for the second time in a decade we were given an even more unmistakable warning to get out of petrol.

Have we learned out lesson? Certainly, some actions have been taken and great plans have been announced.


Energy resources . . . uniquely fortunate.

Whether these actions and these plans are appropriate for extracting us from our dependence on imported oil cannot be judged until we have taken a look at the nature of the trap in which we are caught.

* *

IN the middle of his journey through a dark wood, a man stumbles into a trap. The trap is only moderately high, its walls slope outwards and there is enough wood at the bottom to fashion means of escape.

The man — not one to panic — has first a good snooze, then considers carefully how to get out with the least bother and injury.

With the help of a little trigonometry he determines the height of the trap and sets about building a ladder just big enough to get him over the top.

He puts the ladder against the wall and discovers it is too short. How could this have happened?

He repeats his measurements and finds to his amazement that the trap is deepening at a fairly steady rate. Because he can tell how long it would take him to build a new ladder or extend the old one and allow for the rate at which the pit is getting deeper, he can lick the problem.

Working hard for the rest of the day he carefully frees a number of rocks at one corner of the trap and transports them to another corner to serve as a platform — or extender — for his ladder.

There is a rumble, part of the bottom subsides and he finds himself deeper than ever in the trap and up to his waist in debris.

By this time he is very thirsty, very tired and very pissed off. The ladder and stones together will no longer be sufficient to get him out of the hole and, as he looks upwards, he can see that the configuration of the walls has changed. Where they had been sloping outwards, which would have given him a chance to scramble out under his own steam, there is now an overhang which will be most difficult to negotiate.

At this point he muses: "If I had known what kind of trap this is when I fell in, I would have wasted no time but clambered out immediately, even if it had meant torn fingernails and bloody knees."

* * *

A MAN faced with ever-increasing oil bills can either stop using the stuff as quickly as possible or scrape up ever-increasing amounts of moolah to pay for it — the same as having a fitful snooze at the bottom of the oil trap.

That is what our politicians did for six years, during which they went around the world borrowing money to pay the mounting fuel bill (see graph).

Now, with a big flourish, we are being told that all this is going to change, that we have a plan which will solve our energy problems.

Remembering that our energy problem is only a transport fuel problem, let's look at the proposals for the sake of which we have suffered the National Development Act.

Most of the so-called energy projects in fact are proposals to sell New Zealand resource to make money to pay the oil bill.

Urea plants, steel mills, nickel smelters, aluminium smelters, ferro silicon plants.

Continued on Page 23

Business confidence

Survey predicts higher interest rates

by Peter V O'Brien

THE Institute of Economic Research's latest *Quarterly Survey of Business Opinion* had bad news for people expecting a decline in interest rates this year.

Discussing survey results for the services sector, the institute said almost all respondents expect to charge higher interest rates during the next 12 months.

Among finance sector respondents the shortage of finance is a more important constraint on activity than for the service sector generally, "being cited as the main constraint by 30 per cent of respondents, compared with demand by 42 per cent".

The survey was compiled before the Government announced higher public sector ratios on life offices and finance companies, so there may be a later reaction to the policy changes.

(There is probably an interaction both ways between business expectations and official policy. The former change as policy develops, while the latter can be assumed to take some account of expectations, to the extent that they are a mirror of business confidence).

The service sector's reaction, particularly the finance sub-section, may be another upward movement in interest rates. Finance Minister, Rob Muldoon answered the Finance Houses Association's comments on higher ratios by arguing that their action in raising interest rates was a major reason for their credit expansion, and the consequent increase in ratios.

That may be so, but it is logical to expect greater competition for the public's funds for two reasons.

First, investment in public sector securities gives a lower rate of return than the finance companies' lending business. At the same time the companies have to receive a margin between their borrowing and lending rates. If a higher proportion of borrowings are invested in the public sector, the gap between that return and the amount payable on the borrowings decreases. Consequently, the return on the balance must widen to preserve the appropriate overall margin.

Secondly, if a shortage of finance is a high constraint on activity, and more of the available finance is held "captive", the shortage is aggravated. The appropriate reaction is to lift the borrowing rate to overcome the shortage.

A rise in public sector ratios, returning a negative rate of interest, can have an effect which is opposite to the Government's intention, when these two factors work together.

A body of official opinion is understood to favour abolition of ratios, with the Government competing on the open market for investment at realistic interest rates. The political implications of the resulting interest rates (which are a symptom rather than a cause of economic problems) apparently overrule that approach.

The survey results from architects and builders are pessimistic. Both sections expect a downturn in activity in the next year.

"Almost half the respondents (in the building section) expect reduced investment approvals for building during the next 12 months and, a third, reduced investment in plant and machinery".

Few architects expect any increase in activity, and the balance are fairly evenly divided between those expecting no change and those expecting a decline.

Respondents in the various sections of the manufacturers' sector answered the survey in line with the public's overall knowledge of their activities. Clothing and footwear, currently depressed as shown by retail and production figures, reported orders well down in the last three months, although output rose slightly and export sales' growth was even more widespread.

"Most respondents expect reduced investment, most cite a shortage of orders as the main constraint and almost half expect deteriorating general business conditions", the institute said.

Furniture and furnishings, on the other hand, show more stability, although more than half the respondents expect the general business situation to deteriorate.

Apart from its value as an indicator of activity, the quarterly survey can have a compounding effect on business confidence.

The institute summarised replies from 445 respondents, but there are many more entities outside the scope of the survey.

Those businessmen either read the overview published in the dailies, or they may look at the sectoral implications which are discussed here every three months. Others read the full survey.

Examination of replies from people operating similar businesses will have some effect on the overall reaction to economic and business conditions. To that extent, and subject to changes in policy, the responses published in the survey can lead to self-fulfilling prophecies.

Special feature

Continued from Page 21

methanol plants fall into this category.

Instead of borrowing money to pay for oil, we shall sell off our belongings to pay for it. The result, in either case, is that our wealth flows abroad.

Such exercises will make us poorer. They won't solve our oil problem.

I have often observed similar behaviour in alcoholics. At the start of a drinking bout, they frantically borrow from anybody who comes near them. Later they start selling the furniture.

The difference between these policies and those pursued during 1973-79 are purely cosmetic. The rate of increase in our foreign debt might slow down, but the rate of alienation of our wealth will increase. What we used to lose on servicing debts we shall now lose on expatriating profits.

In addition to this financial loss, the colonisation of New Zealand by foreign industrial concerns will have adverse environmental, social and political effects. It will make this a less pleasant country to live in.

But such considerations apart, these policies are designed to save the Government from having to take effective action to solve the transport fuel problem.

Since our need for petrol, if anything, will be increased by these industrial ventures, they will tie us more firmly into the economic and geo-political troubles which beset oil-dependent nations.

It is not as if these enterprises held out the hope of a foreign exchange bonanza. Everything that has been revealed so far taken together and, some of these projects are mutually exclusive) would not come anywhere near earning enough foreign exchange to pay for our oil bill.

It is important that New Zealanders should not allow themselves to be confused. Selling electricity, coal or methanol to the Germans and Japanese is not an energy policy (3). It is just another way of putting money into the pockets of the oil merchants.

In fact, it is worse than borrowing because, intelligently used, the very resources which we are selling off could make us independent of imported oil. In addition, debts may be paid off eventually. But to get a Comalco, a Hunt Petroleum, A BP or a Mobil off our back once we have signed on the dotted line would require a revolution. To dismantle the industrialism which they would introduce will be altogether impossible.

SELLING electricity, coal or methanol to the Germans or Japanese is not an energy policy. It is just another way of putting money into the pockets of the oil merchants.

The idea of pouring our wealth into the bottomless pockets of the oil trade has been rationalised as follows: "New Zealand's availability of energy resources is such that adding value and exporting some of these reserves *to offset the costs of oil imports* may be the most economic alternative for the country".

This disinterested advice comes from Gary J. Bowler, manager of the planning and management service, *BP (NZ) Ltd.*

For this to make sense, the price of aluminium, nickel and so on would have to rise at a substantially faster rate than the price of oil — a contingency which Bowler probably would not wish to put any money on.

(3) "Selling" is hardly the right word. In July 1979, well after Iran had become a *fait accompli*, Comalco announced it would not expand its smelter. Now, less than a year later, it wants to triple its smelting capacity. This admits of only one rational explanation. Comalco has received the nod that we are willing to *give away* our electricity at below cost price.

Next Week: Part 2 — The methos

The politics of cancer: balancing extremist views

by Belinda Gillespie

CANCER has become a political issue. The environment in general, and certain occupations in particular, are loaded with apparently hazardous substances which increase chances of getting cancer.

Environmentalist pressure groups, trade unionists, and political parties find it useful to clout Government, business and the health establishment with the carcinogenic properties of the substances which various activities release into the environment. Though cancer is not the only health issue at stake, it remains the watch-word at which everyone is bound to sit up and take notice.

Bizarre calculations are made, and scientists — generally rational men — defend their pet products in a manner which causes confusion and disarray among the uninformed.

The Dow Chemical Company, for example, has stated that "the probability of 245-T causing cancer is much less than from drinking diet soda or eating peanut butter. Specifically, the risk of contracting cancer from 245-T calculated for a backpack sprayer working five days a week for 30 years is about one chance in 2,500,000. The risk is about 1/25 the risk from drinking one diet soda per day (exposure to saccharin), and 1/100 the risk from eating four tablespoons of peanut butter per day (exposure to aflatoxin.)"

But, on the basis of Swedish studies linking 245-T to cancer, Drs Tord Kjellstrom and Allan Smith have suggested in the *New Zealand Medical Journal* that "the existing data would seem sufficient for action to be taken to prevent excessive exposure."

"Those involved with spraying should minimise their contact with the chemicals they work with," according to Smith, though "it is most unlikely that the non-spraying public would have a detectable increase in cancer risk."

Those who are about to spray their blackberries with diet lemonade might turn to the the thoughts of food scientist Magnus Pyke, who spoke to New Zealanders of the risks of saccharin.

"If further experiments should confirm the findings of the 1977 Canadian study of rats fed a diet of 5 per cent saccharin, and if the effect of such an enormous intake in rats should also be found to apply to people — a bottle of saccharin-sweetened beverage would reduce life-expectancy by 20 years divided by 60 million. This works out at nine seconds."

While peanut butter manufacturers have so far remained silent, they could no doubt calculate that eating peanut butter sandwiches is less risky than drinking fluoridated water or eating nitrite-cured bacon.

In an ideal world, someone said, the political response to the fact that certain agents in the environment increase cancer risk, would depend on the sum costs of the various possible measures of control, and on how many cancers each such measure would prevent.

In the real world, estimates of cost differ greatly — some may be grossly exaggerated, and some entirely overlooked. And there are no remotely reliable estimates of the number of cancers which particular controls would prevent. This gives great scope for pressure groups to have a big influence on public policy.

Historically, the popular view is that "big business" has always put financial advantage before human health. A current example is the massive sales drive in the Third World by the major tobacco companies.

About one person in four regular smokers dies prematurely, according to *Nature* (the British scientific journal), and the new marketing effort, if successful "will kill millions of people."

Where other industries have been found to cause cancer, according to *Nature*, their immediate response has usually been to delay acceptance of the findings, to minimise their relevance, and to delay or obstruct hygienic measures which will cost money.

Nature gives the new British Government asbestos regulations as an example where industrial consortia have lobbied for controls "so weak that they leave no reasonable safety margin."

New Zealand trade unionists have argued that our asbestos regulations are similarly weak.

For decades scientists argued that there was a "threshold" dose of carcinogens, below which absolute safety could be guaranteed. This has been abandoned as understanding of the causation of cancer has improved.

Industry now uses arguments — where, according to *Nature*, the biological fallacies are better concealed by the mathematics — that thousand-fold reductions in doses will produce a million-fold or some other enormous reduction in risk.

Though many industrial scientists and managers are genuinely concerned with safety, the past has given so many examples of financially motivated bias that "the motices and work of industrial scientists and consultants are inevitably distrusted," said *Nature*.

Industry and the environmentalists have polarised, industry arguing for the irrelevance to man of animal cancer tests, or the quantitative hazards, and exaggerating the costs of control.

The environmentalists exaggerate the likely hazards, and are indifferent to the costs of control — the situation is epitomised in the current

Magnus Pyke ... life-expectancy calculations

245-T controversy, where industry, the Agricultural Chemicals Board and the Health Department have tended to dismiss all the "unscientific" objections to the herbicide, while the opposition refuses to recognise its positive benefits and uses largely emotional arguments against it.

"The politics of cancer is dominated on both sides by exaggeration," said *Nature*, spelling out three major areas of contention.

First, we are not living in an era of rapidly increasing cancer rates. But in the last quarter-century, while cure rates for the major cancers have not improved much, trends in recorded cancer death rates are biased upwards by improvements in medical care and cancer counting.

The majority of human cancer is probably not caused by chemical and physical agents in the environment, and could not be prevented by their testing and regulation.

Though cancers of the industrialised world — lung, breast and large intestine — are rare in other countries, they "probably are preventable, but not necessarily by regulation of any environmental pollutants or food additives," claimed *Nature*.

The amount of cancer attributed to occupational causes has probably been exaggerated — predictions of the number of deaths in the hazardous asbestos and nickel industries, for example, have proved unsustainable.

But these exaggerated estimates, according to *Nature*, "are so much what many people want to believe of modern society that they have now achieved a life of their own."

While criticising industry for its reluctance to bring in reasonable controls, *Nature* stated that environmentalists would be better respected, and could more effectively press for controls:

- If they did not overstate their case in regard to industry;
- If they looked at the control of the major determinants of cancer, rather than the multitude of sins";
- If they discussed toxic substances — such as diet and tobacco — in the context of improving longevity;
- If they took the costs of imposing restrictions seriously;
- And if they accepted the uncertainty of the health benefits of restricting most toxic chemicals.

On the other hand it is argued, "it may be that adversary politics operates, needs views at both extremes in order to get a balanced outcome," and that the emphasis on the avoidance of scientific error could "emasculate the environmental passions" and lead to inactive consensus.

"For a hundred bucks a day he tells me to take good care of myself!"

Concrete proof of construction industry recession

Christchurch Correspondent

THE slide in profitability of Christchurch-based New Zealand Cement Holdings Ltd in the last six months, was a stern testimonial to the rugged times in which the construction industry and the cement manufacturers find themselves.

The cement industry appears to symbolise the malaise facing the country in the years leading up to the age of large new energy projects. The problem is one of working at "half-ahead". The industry operated at only 55 per cent of capacity during 1979, with cement production tumbling 32 per cent since 1974.

The natural gas projects will require more steel infrastructure than cement and are no panacea.

The financial figures are stark. New Zealand Cement dropped from a $597,000 net profit in the six months to January 1979 to $35,000 in January 1980 (interim result).

In the July year to 1979 the company had experienced a minor 5 per cent fall in net operating profit to $1,097,000 from $1,156,000. Undoubtedly the latest result came as a shock to shareholders.

New Zealand Cement had warned shareholders that sales tonnage was less than forecast. But ironically NZ Cement had increased its market share and cement sales tonnage (to 155,670 tonnes) over recent months, which suggests rival manufacturers might be more adversely affected in terms of demand reductions.

The 1978-79 economic recovery had little reflection in new buildings in most areas of the country.

New Zealand Cement operates plants at Cape Foulwind, Westport, where the 455,000 tonne capacity has been utilised 50 per cent over the past year, and Dunedin where the 120,000 tonne capacity plant has operated at higher levels. Its two plants between them produced the greatest quantity of cement in the country — 286,000 tonnes in the 1979 calendar year, compared to Golden Bay's 193,000 and Wilsons Cement's 273,000.

Wilsons has a 400,000 tonne capacity plant at Portland, Whangarei, which services the Northland, Auckland, Poverty Bay, Bay of Plenty, and Hawkes Bay regions. It has been able to sustain output at 68 per cent of capacity although it had been losing its market share to New Zealand Cement in the Waikato, where the southern company has established a new depot in Hamilton. Wilsons is 50 per cent jointly owned by Golden Bay and Winstones Ltd. Golden Bay operates a 400,000 tonne capacity plant at Tarakohe, and during 1979 its utilisation was round 48 per cent.

New Zealand Cement appears to be the most aggressive marketer securing 38.1 per cent of the market in the 1979 calendar year, compared with Wilson's 36.3 per cent from 273,000 tonnes and Golden Bay's 25.6 per cent from 193,000 tonnes. Sailing cement into the Auckland area from Westport had been the key to the market superiority.

The key to the future should be cement exports, specially when soaring domestic costs which eroded interim profitability included distribution expenses.

Sources suggest that the price of cement per tonne is one third distribution cost. Once landed in the Auckland market Westport cement also faces the problem of demand contracting at 35 per cent over the past five years. The Auckland ready-mix market is believed to be down 50 per cent since 1974. New Zealand Cement does not market in Wellington.

The recession has apparently taken longer to be felt in the capital's construction sector than elsewhere in New Zealand. Golden Bay has a monopoly of the business from New Plymouth to Wellington.

Manufacture of rapid hardening cement started at Westport (after earlier development at Burnside) in 1978-79. Its debut in New Zealand Cement's Auckland marketing was understood to have aided higher sales in the North Island.

Export sales began with a trial shipment to Papua New Guinea from Westport in 1978-79. Sales to the Pacific face strong competition. Previously this activity has been a limited one for New Zealand Cement — the harbour bar at Westport was as much a deterrent as anything else.

The company is believed to have examined the prospects of expanding port facilities at Westport but appears to have chosen, as an alternative, the upgrading of the Picton port, in conjunction with the enterprising Marlborough Harbour Board, to enable the export of cement on large vessels. Cement will be shipped from Westport by small vessels to Picton for on-loading overseas. Capital development costs are to be assumed by the harbour board.

Export growth could be vital because of financial factors. Allowances which mitigated against tax payments over recent years have now expired but export incentives could fill the gap if export sales soar this year.

Apart from export sales, the accounts to July 1980 will reflect the level of exchange fluctuations

The former chairman, now Mr Justice Cook, told shareholders at the November annual meeting that realised and unrealised exchange losses at $576,000 were considerably higher than in 1977-78 and would be a continuing factor to be reckoned with. The 1979 second-half performance included adverse factors such as the New Zealand devaluation. Since then the dollar has steadily depreciated.

The 1979 Budget included the provision for companies to assume forward exchange cover and this was taken up by the company. But exchange losses in this month's interim report still ranked at $398,000 on overseas loans written in American dollars and West German marks.

Export tonnage is one of the major factors in the healthy rise to 155,670 tonnes sold in the January half year.

The profit drop reflects not only sagging domestic demand but also the dilemma of being under price control which stunts the full benefits of rising consumption during internal buoyancy and, when output is falling, permits price increases in excess of cost increases because of adjustment for fixed costs. The industry is reluctant to seek them because increasing cement prices would deepen the downturn.

Caught in this dilemma last year, New Zealand Cement was reluctant to raise prices, in view of the poor state of the building industry, until it had no choice. The price increase will assist results in the final quarter of the year.

Cement prices are set on a market leader basis. In Auckland the price is based on Wilson's and Golden Bay worked virtually on an allocation basis and production levels were high with demand coming from such areas as the Huntly and Waitaki power projects.

There is now a lag period until the new energy projects occur. They will not create the demand levels of the hydro-electricity projects of the past and hopes of a concrete Maui B platform are virtually shelved. Downstream work will eventuate from the energy developments starting in the mid-1980s.

The cement industry traditionally requires total capacity when the economy steps up and could be under pressure by 1983 — the same time that NZC plans to commission a new works at Weston, Oamaru, costing $90 million on latest estimates. It will have a 500,000 capacity and replace the Burnside works, boosting New Zealand's total capacity by almost 30 per cent.

Reminding potential critics of the need to foresee periods of economic expansion NZC directors have cautiously moved forward the plans for the big new works to the point of calling tenders for major items of equipment.

NZC purchased adequate coal deposits for the fuel requirements of the new works and planning is being undertaken, with Swiss experts Holderbank NZ, a Swiss-Australian shareholder with 42 per cent of NZC capital. The Oamaru deposits have been known since the 1950s when the old Milburn company located them.

NZC began to have takeover talks with Milburn after five years of operation and since the "merger" has been operating Milburn's old Burnside works and its own modern Cape Foulwind works, where capacity precluded any need to further develop the Oamaru deposits.

"Do you do an executive's Ploughman's lunch?"

Science and technology

Scientists' exotic plant work begins to bear fruit

by Belinda Gillespie

THE pot of gold at the bottom of the kiwifruit vine could turn up at the roots of some other plant, if DSIR work on sub-tropical fruits lives up to its promise.

Under a new crop scheme which has been going in Auckland for the last two years, the DSIR invites annual applications from growers who want to test-grow experimental crops on a semi-commercial basis.

From the applicants for each crop, one or two are chosen to put in a quarter-acre experimental plot, "so we can see any problems on a bigger scale," according to researcher SN Dawes, of the DSIR's horticultural and processing division.

Crops now on trial include sour cherries, prunes, casanas and red guavas, and a trial on macadamia nuts is planned to begin in the near future.

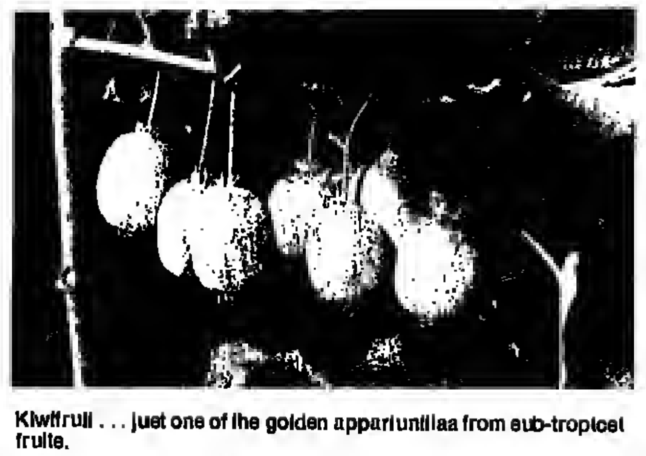
The small-scale commercial trial is generally undertaken by growers with a strong base in a crop, such as kiwifruit, before the new crop is thrown open for anyone to have a go.

It is the final stage of the DSIR's long process of testing and propagating new plants which are thought to have commercial potential.

Fruiting plants from the high-altitude tropics are Dawes' particular interest. These areas have a zone of temperate climate very much like that of New Zealand.

These regions have given us important crops such as kiwifruit, tamarillos, and feijoas, "but there is great scope for further introductions," Dawes said.

Tamarillos, feijoas and purple passionfruit all come



Kiwifruit . . . just one of the golden opportunities from sub-tropical fruits.

from mountainous areas in South America; avocados are native in the highlands of Mexico and central America.

The kiwifruit, was developed from a wild plant which grows at high altitudes in South China.

The Latin American highlands are considered a particularly good source of plants, and the DSIR in Auckland has several species at different stages from seeds through to fruiting plants.

Among the furthest forward is the casana, introduced from Ecuador by orchardist Dick Ent.

The fruit is related to the tamarillo, but more elongated, yellow when ripe, with a peach-like flavour.

The first locally grown fruit were available last year but it remains to be seen whether the crop will be commercially viable, or remain a home garden novelty.

The plant has further possibilities for breeding to produce improved strains of tamarillo.

The cherimoya, related to the Australian custard apple, is well-established in the Tauranga area, but is not yet grown commercially.

The heart-shaped or conical fruit range in weight from 200g to several kg, and have white, juicy flesh and flavour described as similar to pineapple and banana.

Cherimoya "could be particularly useful as a fresh fruit in New Zealand as they ripen in spring and early summer when there is little fresh fruit available," said Dawes.

The babaco, a member of the papaya family, will be important, Dawes predicts. He brought cuttings back from Ecuador in 1973.

Up to 1.3 kg in weight, with "crisp, pleasantly-flavoured flesh," the babaco grows and crops well under New Zealand conditions, Dawes said, and "only the slow job of multiplication is delaying commercial development."

Near Gisborne, Waniechi put in a crop of the pepino, a bushy perennial that looks like a potato plant, and bears large fruit similar in flavour and uses to the rock-melon.

"All the characters needed for a commercial culture are present, and we are close to having a farm of the plants. It will give high yields of good quality fruit. It would be grown as an annual much like a dwarf tomato with the fruit available over the late summer/autumn period," Dawes said.

Other fruits named by Dawes included the naranjilla, with small, orange fruit used to make drinks; the sapote, with green, yellow and white varieties; the jaboticaba, which has small fruit "with an agreeable vine-like flavour," and the pitanga, often known as the Brazil cherry-tree.

They represent only a fraction of the potential fruiting plants from the appropriate climatic zone in the South American highlands, according to Dawes.

"We must endeavour to increase the rate of introduction of plants from these high tropical areas, from which we can expect important crops of the future," he said.

Electroplating waste saved by ion exchange

by Warren Berryman

ELECTROPLATERS are well aware that thousands of dollars worth of precious nickel goes down the drains as liquid waste each year.

Rising nickel prices have doubled the value of this loss over the past two years.

The Department of Scientific and Industrial Research has proved a method of recapturing and reusing this metal from electroplating rinse tank wastes with a $3000 unit.

The ion exchange unit used for treating liquid waste has the added benefit of reducing the environmental risk of poisonous substances in trade wastes.

The DSIR initiated its research at the request of the Metal Trades Finishing Group of the Auckland Manufacturers Federation two years ago.

A joint research programme was set up between the DSIR, Universal Electroplaters Ltd and Processed Chemical Industries Ltd.

Universal Electroplaters is expected to save $10,000 worth of nickel a year when the system is fully installed.

The DSIR considers the ion exchange system suitable for this country's small and fragmented electroplating industry.

The ion exchange unit can be rented or bought outright. It also extracts other metals such as cadmium and zinc.

In 1978 the DSIR surveyed Universal's Electroplating works. At nickel prices then prevailing the plant was losing $5000 down the drain each year. At 1980 prices the loss would amount to $10,000.

With ion exchange systems connected to only two rinse tanks $3000 is being saved and all other costs reduced.

With the complete system installed the full saving of $10,000 will be achieved.

The DSIR believes the system could benefit other industries such as hot-dip galvanisers, and the tanning industry, to purify their liquid wastes.

Ion exchange system . . . DSIR recommended it.

Plastics

PINZ conference: developing positive approach

THE editorial content for our pages on the plastics industry is prepared by David Peech in association with the Plastics Institute.

THE Plastics Institute recently completed its first true annual conference and PINZ President John Masan can look back at conference proceedings and feel proud of the institute's achievements during his six months as industry leader.

Debate on the advantages of previously-held six monthly industry meetings continues but Mason correctly summed up the general feeling at the conference by stating: "this has been the best and most productive conference the industry has had".

He attributes this to a number of factors. He said the industry has finally "come of age" — emerging as an industry vital to the country's economy, something he believes the current industry study will confirm.

Mason said the establishment of industry sector workshops, a new innovation at the conference — has paid huge dividends.

The general feeling was that the workshops provided for freer discussion of key issues and their format encouraged full participation.

The usefulness of the group sessions was apparent when discussions were reported back to main conference.

Concern for key issues was given greater perspective and the groups made constructive efforts to develop a positive planned approach to the future.

The IDC study was a common theme through all sector group discussions which highlighted the importance the industry places on it.

Raw material supplier Brian Pickering voiced the need for the IDC to have a correct view of the role supply houses have in the industry. Murray Seaward, representing the flexible packaging group, warned that every effort should be made to ensure the industry study did not turn out to be a tariff inquiry only.

The institute continued to urge individual companies to make submissions to the IDC to reinforce sector ones.

John Masan . . . plastics industry has "come of age"

Liaison strengthens Tasman link building

NEGATIVE attitudes to plastics are being corrected by close ties between the industry on both sides of the Tasman, members at the PINZ conference were told.

Addressing the annual conference, the national director of the Plastics Institute of Australia, Bob Leschen, told delegates that the excellent work relationship established between the New Zealand and Australian plastic institutes have helped to overcome "potentially damaging negative attitudes" towards plastics.

Leschen was brought out to New Zealand to address the conference on the role of the PIA in Australia.

Bob Leschen . . . society without plastics would collapse

He cited as an example of the relationship the work New Zealand industry has done on plastics litter control and disposal, specially in Auckland, and the use the Australian institute was able to make of it at a time when environmental issues concerning plastics dominated newspaper headlines.

The study here helped to put some of the issues into proper perspective, Leschen said.

He said working together had helped to deepen public understanding of the role of plastics in today's society. "If plastics were taken out of life today," he said, "society as we know it would collapse".

He told delegates that if the synthetic input to clothing was taken out, there would not be sufficient cotton capacity in the world to replace it.

Likewise with the synthetic component in tyre rubber. If it was taken out, more than twice the usual amount of natural rubber compound currently used world-wide would be needed just to satisfy the American tyre market alone.

Leschen said there was virtually no limit to the future use of plastics.

The industry is soundly based, and plastics manufacture represents the best value-added use of oil or natural gas. He gave examples of the gas burned in a heater, or the petrol burned in a car engine. The same amount of gas or oil required to produce limited benefit in these situations, would have a three-to-four times added-value if used to produce plastic products.

Leschen said Australian plastics production at present uses only about 1.5 to 2 per cent of the country's total oil and natural gas consumption.

In his view it would make economic sense to devote a higher percentage of oil and natural gas to plastics manufacture, because of the added-value it gave.

Other forms of energy, like electricity, could be used for transport and heating, he said.

In Australia last year, more than 670,000 tonnes of plastic products were produced, a 63,000 tonne increase on the year before. The increase is equivalent to the total Australian production increase of 20 years ago.

Per capita consumption of plastics in Australia is currently about 44 kilos. While higher than here it is well below that of other industrialised countries. Germany, Sweden, and the United States consume 100 kilos of plastic products per head of population each year.

Leschen said his organisation had expanded extensively since it was established 36 years ago, in response to the growing demand for plastic products and the resultant industry growth.

The Plastics Institute of Australia now consists of 550 company members and 650 personal members. The corporate membership represents 80-90 per cent of total plastics production in the country. The PIA's budgeted cash flow for 1980-81 is $900,000.

During the past four years the PIA has been operating a planned public affairs programme to combat the often misconceived attitude that the public had about plastic products.

Action has been centred on a number of key areas:

- An Australian-wide education programme pointed out the misconceptions surrounding plastic products;
- A monthly plastics digest designed specifically to inform people of the positive aspects of plastics;
- Through an industry-wide "plastics with pride" campaign.

Leschen said the campaign had been successful so far, but a lot more work from the institute, and the industry generally, was required before the public is made fully aware of the positive aspects of plastics.

Essential export componentry supplied by locals

IN his opening address to the 38th annual conference of the Plastics Institute of New Zealand, president John Mason made this policy statement.

The statement was made on the subject matter currently under consideration by the Industries Development Commission as part of the plastics industry study in which the institute is participating.

THE New Zealand plastics industry is a diverse manufacturing industry comprising of more than 250 companies and directly employing more than 3500 people.

It rates as New Zealand's seventh largest manufacturing industry and has grown rapidly from small beginnings in the 1940s and 1950s, with rapid growth in the 1960s and early 1970s to become an important and essential part of the New Zealand economic structure.

It commenced in the 1950s largely on an import substitution basis and has now developed as an important supplier of componentry and packaging to New Zealand primary and secondary industry and developed products required by the New Zealand consumer and economy as a whole.

It has potential for further significant growth and contribution to the development of the New Zealand economy.

It can be noted that the annual production of plastics goods is an indication of the degree of industrial development of a country. In terms of kg production of plastic goods per head of population, New Zealand is below most Western industrialised countries, and is at a production level per head of population approximately 35 per cent below that of Australia. This obviously leaves significant opportunity for growth of the New Zealand plastics industry.

We consider that the New Zealand plastics industry is of strategic importance to the future development of the economy as a whole. It is an essential ingredient in specialised packaging of New Zealand's primary food exports to sophisticated markets.

The development of plastics materials and componentry used directly in the pastoral, agricultural and horticultural industries, as well as New Zealand's developing fishing industry, has enabled substantial increases in productivity to be achieved by these sectors.

The development of a viable, economic and export orientated manufacturing industry in New Zealand would be impossible without the essential componentry supplied by the plastics industry to other manufacturers and utilises, not only the production machinery of the plastics industry, but its highly developed product design and toolmaking skills.

The plastics industry is ideally suited to New Zealand's economic structure. It lends itself to innovative development within small to medium sized manufacturing units where high efficiency and productivity is achieved and is developed in regional areas as diverse as Westport, Ashhurton, Feilding, Hastings, Hamilton and Dargaville, as well as the main industrial centres. It is a clean, efficient and socially desirable component of our economy.

The industry provides a positive net financial contribution to the external balance of payments. On the credit side it exports approximately $35 million per annum in direct and identified indirect exports and expects to increase the figure to $50 million per annum by the end of 1980.

It produces products and materials which if imported would cost $200 million per annum.

On the debit side, it imports raw materials of CIF value of $70 million per year and machinery to replace worn-out machinery and provide for growth in production capacity. We can claim that the net contribution to balance of payments achieved by the plastics industry is at least $150 million per year or equivalent to approximately 3 per cent of the annual gross exports.

The industry has set, as its prime objective, the further increase in its positive contribution to the economic growth and external balance of payments. To this end, it is working positively to increase its direct and indirect export contribution, and actively supports the target set by the Manufacturers Federation to export 20 per cent of total production within the next decade.

It also supports the establishment of an economically viable and internationally price competitive export orientated plastic raw material manufacturing industry, based on the utilisation of the indigenous material resource of Maui Gas.

It expects to consult with Government on the most suitable types of plastic raw materials which could be viable export markets within the Pacific Basin area. It sees the further development of the existing plastics industry as an essential ingredient in any plan for petrochemical manufacture in New Zealand.

It is well known that the utilisation of plastic materials can have far-reaching benefits in the reduction and conservation of energy. This is particularly relevant to a country which has a substantial internal transportation [problem] due to its population [size] and the geographic [nature of] this country.

Comment has appea[red in] the press in recent times [on the] benefits to be gained [by] reducing the protective [bar]riers of local industry. Su[ch a] move would, it is [said], "rationalise" or improve [the] efficiency of local indu[stry]. But it appears nonsensi[cal for] our industry to expect the[ir] manufacture will be[come] more efficient or that ove[rall] prices can reduce if se[...] any significant part of [the] market to imports.

Local industry is vulner[able] to the products of the [...] developed countries of [...] which operate within an [en]vironment of low wages, low taxation structures, currency exchange rates, [sub]sidised exports, but p[rotect] their own industries b[y] tariff barriers, quotas [and] import licences. The p[...] of the local industry [...] requires appropriate [...] ned protection by a combination of tariff [and] quantitative controls.

The future of the [...] trading relationship [with] Australia is a differen[t ...] from that of impo[rts from] other countries. In our [...] trading relationship [with] Australia the plastics [...] supported the princip[les out]lined in the joint sta[tement] made by the Prime M[inisters] of New Zealand and Au[stralia] in their communiqu[e of] March 21 1980: "Tha[t the] central trade objective [...] be a gradual and progr[essive] liberalisation of trade a[cross] the Tasman on all g[oods] produced in either count[ry on] a basis that would [...] benefits to both countries".

We believe that such [libe]ralisation should be [im]plemented by extension [of] Nafta arrangements [...] should be phased in o[ver a] minimum period of six[...] as suggested.

In summary: We ident[ify the] New Zealand plastics ind[ustry] as a vigorous, innovative [...] essential element with[in the] economy as it approach[es and] enters the 21st century.

Dramatic exports shown in survey

NEW Zealand plastics exports are expected to reach $50 million by the end of this year, according to a recently completed national survey.

The findings of the survey were announced to delegates at the annual meeting of the Plastics Institute of New Zealand in Nelson.

Institute president John Mason said the survey indicated a dramatic growth in exports in recent years.

Exports rose by more than $5 million in the 1979 year, and there was an indication of healthy orders for the coming year, he said.

In addition to exports, the survey showed an annual production of $200 million of goods which would otherwise have to be imported.

Mason said even if the import of $70 million in raw materials and the cost of imported machinery was allowed for, the net economic contribution of the New Zealand plastics industry was substantial.

"The industry makes a net contribution to the balance of payments of about $150 million annually — or equivalent to about 3 per cent of annual gross exports," he said.

Mason said that the in[-] dustry was actively pursu[ing] the aim of exporting 20 per cent of total production [within] the next decade.

He foresaw that the $5[0] million export contribution [...] the plastics industry made [...] substantially increased.

He said the quality and efficiency to manufacture of plastic goods had improved dramatically in recent years and greater cost efficiency and price competitiveness [...] come through rationalisation of product ranges and further integration of manufacturing.

IDC date extension allows breathing space

TRADE and Industry Minister Lance Adams-Schneider has extended by six months the reporting date for the Industries Development Commission study of the plastics industry.

The date was to have been June 30 1980, but as industry sources predicted, the rigid timetable laid down gave insufficient time for a complete and full report to be prepared.

The IDC – and the industry groups which have still to make a submission – have got space to breathe. The report will now be presented to the Government on December 31.

Submissions continue to trickle in from individuals and industry groups, but IDC member and one-time president of the Plastics Institute of New Zealand, Ken Fletcher said too few have come from parties outside the manufacturing sector of the industry.

For the purpose of the study, the industry has been divided into 17 different sector groups. To date the PINZ submissions for only four have been completed.

PINZ president John Mason is pleased the commission took the initiative in seeking the time extension.

It is known that PINZ places importance on the study, and is determined to make sure the commission has before it a complete and accurate view of the industry for presentation to the Government.

This included the views of distributors, wholesalers, retailers and end users, and the manufacturing groups.

Fletcher said an approach to trade organisations for relevant information had met with "disappointing success". More than 30 had been approached to make submissions but, to date, none had been received.

Groups contacted include retailers, furniture and hardware associations, car assemblers the Meat Board, the Dairy Board, freezing companies and local authorities.

The Federation of Labour and members of the engineer's union had already been consulted, according to Fletcher, and discussions with Petrocorp and other petrochemical interests are continuing.

The IDC intends to meet with further industrial union groups to gather wider input to the study. The IDC is aware of the effects on employment of any industry "restructuring" should it occur, and thinks it important to consult unions.

The IDC had worked its way around factories in the four main centres, the Hawke's Bay and other districts.

He did say that of the 60 or so individual company submissions the commission had so far received, several had been outstanding.

Mason considers the study has met with a marked degree of support from industry groups, which appreciated the sector by sector approach to the study taken by the commission. The IDC remains non-committal on the outcome of the study.

Mason, however, sees this as a safety ploy, should the Government choose to act contrary to all, or parts of the study report. He is confident the study will show the plastics industry is an efficient contributor to the country's economy and has tremendous potential for future growth." He hastens to point out the fate of some sectors of the textile and garments industry as a result of that study.

Mason believes that with the plastics study Government cannot expect an improvement in manufacturers' efficiency simply by removing protective barriers.

There has recently been considerable comment on the so-called benefits of reducing trade barriers to allow more competition to local industry from imports. But he considers it naive to expect that any manufacturer will become more efficient or that costs and prices can reduce, if any significant part of the market is lost to imports. The IDC should bear this in mind, he said.

Greater cost efficiency and price competitiveness will come through rationalisation of product ranges and further integration of manufacturing, he said.

The industry had heavily invested in modern, efficient plant and Mason said it needs time to be able to reach maximum utilisation.

Without adequate trade barriers, Mason said, the industry will not be able to reach its full potential for contribution to New Zealand's economy.

Plastics Inquiry

Sector no	Product group	Submissions due	Position paper	Responses due	Hearing date	IDC contact officer
9	Tapes	Rec'd	April 30	May 19	May 27	Kozierski
8/12	Films/Bags	Rec'd	May 8	May 23	June 3-5	Kozierski
2	Pipes	Rec'd	May 13	May 30	June 10	Wylie
4	Therm rigid sheets	May 8	May 27	June 13	June 24-25	Kilkelly
1	Resins	May 13	June 3	June 20	July 1-3	Kilkelly
6	Flex sheetings	May 26 (no PINZ)	June 18	July 4	July 14-16	Kozierski
7	Foams	May 29	June 19	July 4	July 17-18	Kilkelly
3	Profile shapes	June 3	June 24	July 11	July 22	Kozierski
14(b)	Plumbing ware	June 4	June 25	July 11	July 23	McNamara
14(d)	Ag & hort apps	June 5	June 28	July 11	July 24	McNamara
11	Bottles & jars	June 10	July 1	July 18	July 29-30	Wylie
13	Industrial containers	June 12	July 3	July 18	July 31	Wylie
14(c)	Builders h/ware	June 17	July 8	July 25	August 5	McNamara
14(a)	Kitchen utensils	June 18	July 9	July 25	August 6-7	McNamara
14(e)	Other articles	June 24	July 15	August 1	August 12-13	McNamara
15	General principles	August 1			August 19-21	

Plastics

Possible polythene production from Petrocorp

THE debate on whether New Zealand should have or can support a plastics raw materials manufacturing industry continues to produce widely varying opinions.

The PINZ annual conference held recently in Nelson, provided a forum for opinions and concerns to be expressed. Representatives from Petrocorp and the Ministry of Energy were invited to attend.

It is obvious some industry sectors would support the establishment of such an industry here as a means of improving our balance of payments and as a means of reducing our present levels of imports of plastics raw materials.

But other sectors have severe doubts as to whether such an industry would be viable, because of the relatively low total usage of any single plastics material here and the apparent lack of any readily available export market for surplus requirements.

Natural gases from the Maui and Kapuni fields contain significant amounts of ethane but as yet it is not utilised.

Petrocorp has put forward proposals to establish an ethane "cracking" plant to produce ethylene, from which an important plastics feedstock, polyethylene can be manufactured.

The corporation has assessed the minimum size of a polyethylene plant at 70,000 tonnes a year, but states that greater economies can be achieved with a plant twice that size.

Studies conducted to date have indicated that there is sufficient quantities of ethane gas available to produce a larger plant. Ethane availability is tied to the rate of gas usage. It is present as one of the constituents of natural gas. There is uncertainty just how much natural gas will be available for ethane "cracking", should plans for the polyethylene plant be approved.

The Government's scheduling of other petrochemical projects based on natural gas, variations in electricity demand (therefore gas usage in power plants) and the uncertainty of future industrial and domestic gas demand, all have a bearing on availability.

But Petrocorp figures indicate ethane availability should initially be in the region of 100,000 to 140,000 tonnes a year, depending on gas stream use and plant configurations. Corresponding ethylene availability is estimated at 80 per cent or 80,000 to 112,000 tonnes.

It appears that polyethylene production is the best choice for a manufacturing plant. Other ethylene products, like ethanol, are possible but production adds little to the value of the ethylene feedstock.

Polyethylene gives added value, and according to Petrocorp could be produced locally below current world prices. A decision to proceed with a polyethylene industry would obviously depend on an assessment of the project's capability to export surplus product.

'Raw material suppliers are quick to point out that polyethylene use here is currently about 25,000 tonnes a year. This means, they say, that export markets for more than 80 per cent of a larger plant's production would have to be found. The economic viability of the project must stand or fall on its ability to market its product overseas at a competitive price.

According to Petrocorp, studies conducted so far indicate that although an industry will be heavily reliant on exports, it has extremely good prospects of being able to compete on international markets.

Export returns and substitution for polyethylene, currently being imported, could result in a net balance of payments benefit of more than $150 million a year for a 140,000 tonne a year plant, according to Petrocorp.

As yet, nobody app... know any market or ... overseas that can or ... the bulk of local poly... production. Plastics in... people at the confere... pressed varying opin... the type of plant that... best suit local needs ... the major matters that... have to be resolved be... manufacturing plant... it is generally agre... polyethylene plant is ... ble — is what pro... process should be used.

There are a numbe... competing processes ... still need investigat... industry sources agree... polyethylene indust... have to carefully sele... main types it will manuf... to ensure they meet ... port demand, as well ... needs of the domestic ...

Whatever else hap... plastics raw materi... ufacturing plant in ... Zealand is a long wa... thorough investigat... the variables is requ... the Plastics Institu... behalf of the indus... strengthen its lines ... munications with all ... ed parties to ens... development decisio... best interest of the ... dustry and our com...

Toolmaker's move leaves industry short

THE plastics industry is experiencing major difficulties in recruiting and training toolmakers, technicians and tradesmen.

The toolmaking trade is the worst affected, and the situation is being made more critical by the continuing loss of toolmakers to technical, supervisory and management positions within the industry.

A recent survey by the technical training committee of PINZ confirmed the situation. The survey, started in October 1979, has involved more than 27 companies representing a cross-section of the industry. The objectives of the survey were to determine:

- What groups of people are currently receiving industry training;
- Recruitment sources and recruitment difficulties;
- Industry training needs as defined by company managers and supervisors.

Armed with the results of the survey, the committee plans to make representations to the Trades Certification Authority to have current toolmaking syllabus in technical institutes revised to include content specific to the needs of the industry.

Appropriate plastics content is small, although more than half of the toolm... the country are m... involved with plastic...

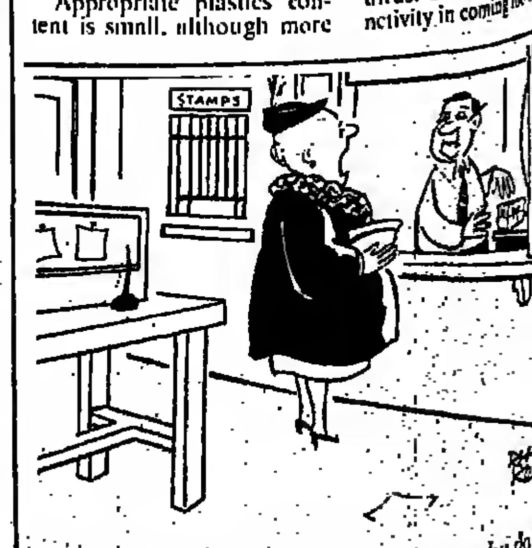
The committee will ... be undertaking an ... study of the whole to... scene and will prepa... on training and recrui... toolmaking apprentic...

It will seek indus... tance to provide stat... information for a ... report to the PINZ ... executive. The ... revealed that some ... expect training in all ... to be catered for ... normal working envi...

The training ... said that is not the ... best training is done ... workplace but should ... by external short ... formal studies ... dustry-related quali...

It appears a major ... ment is required ... panies to set up the... ternal training pro... and to be prepared ... staff to attend relevant ... nal courses.

There appeared ... immediate need ... courses leading ... recognised ... Few exist at present ... likely that this will ... thrust of training ... activity in coming ...



"If the world is getting smaller, why do th... keep raising the postal rates?"

Transport

Port completion leads to over-investment

by Bob Stott

CONSTANT pressure from harbour boards to be allowed to develop their own ports is frustrating improved transport efficiency.

Competition among ports has led to an over-investment in port facilities, a problem which remains unresolved in spite of the work done by the Ports Authority.

New Zealand currently has 19 ports — one port for every 158,000 people.

Two of them are not ports in the conventional sense. They are offshore loading points for ironsands at Waverley and Taharoa.

And neither Opua nor Greymouth had a single ship call last year.

But all the ports spend money, and the money comes from users.

The Ports Authority founded in 1968 by Act of Parliament, has done a good job in bringing a degree of rationalisation into port planning. Overall, authority decisions have been soundly based.

In the Bay of Plenty, the port of Mt Maunganui was refused permission to build a container crane. On appeal it won permission for a "multi-purpose crane" which has similar capabilities to a container crane.

That crane till now, has proved to be something of a white elephant and apparently was built before it was needed. And that should concern the exporters and importers who pay for the crane through harbour board charges.

The authority approved the Lyttelton container terminal, but in an air charged with political considerations it is doubtful the authority and its advisors, if left to their own devices, would have reached that decision.

Again, the terminal was built before it was needed.

Lyttelton and Tauranga fought hard for these installations because local interests sincerely believed that it was in the interest of their own communities that their ports be equipped to compete for traffic in the container age. No doubt they acted in good faith, with the interests of the people who elected them very much to the fore.

But from a national point of view, is it any way to help hold the cost of transporting exports to market?

The Ports Authority must approve capital expenditure for harbour boards above a certain margin (the margin is higher for bigger boards).

But sometimes boards find they can do things within those limits which the authority might frown on.

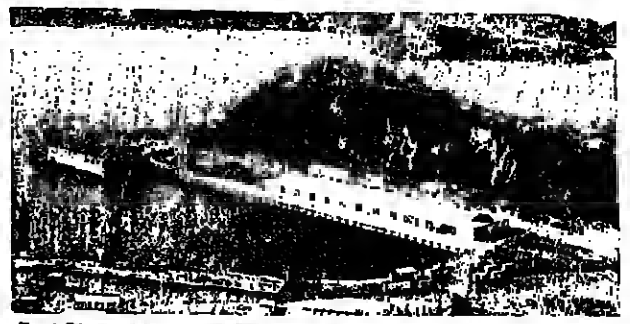
The wharf at Opua in the Bay of Islands was recently rebuilt at a cost just under the Northland board's expenditure limit. That board can perhaps claim it was obliged to do up the wharf because one of the conditions under which it took over the Bay of Islands port was that facilities be kept in good order.

Less than $300,000 was involved, but it is another cost to be imposed on users of Northland ports.

In Wanganui, (not among the total of 19 ports), the locals still help shoulder the cost of port development. A dredging programme has been undertaken — and a good deal of the work done has been wiped out by bad weather. At a time when resources are scarce, should anyone be spending money digging dirt out of the Wanganui River bar?

Auckland and Wellington ports have problems, but their viability or desirability can hardly be questioned.

Gisborne, a bit dead for a long time, might have a potential with forestry development.



Port Chalmers . . . an efficient container port

Napier, Timaru and Bluff are efficient small ports which have carved out distinctive roles and are playing them well enough.

Taranaki has some sort of future with the development of natural gas and so on, but just what facilities will be needed is anyone's guess.

Dunedin's Port Chalmers remains an efficient container port.

But there's something not quite right with our ports. Charges levied by harbour boards in some cases have risen much faster than the general rate of inflation.

In Wellington, towage and port charges rose 86 per cent from January 1977 to date.

The average cost of a three-day port call for a 20,000 ton ship at the four container ports rose 53.7 per cent from January 1977 to the end of 1979.

These costs are met by the shipping lines and in the end are reflected in freight rates (or alternatively, if the users won't meet the costs, the long-term result is a deterioration in the level of service which the lines can offer).

Is the reason for these increases simply that each port is vying with its competitors to produce more lavish facilities? In difficult financial times it is the simple way out to increase charges knowing that the lines must use the ports?

Or do we have too many ports? Wellington obviously had to buy new and powerful tugs to cope with the big container ships, but the tugs will be used for only an hour or so each time a ship calls. A port might have only three calls a week, but its tugs could handle three calls a day.

The same no doubt applies to other equipment. And in spite of the efforts of the Ports Authority, we still have too many ports and too much duplication of effort.

While the Ports Authority is doing all it can to evolve an efficient nation-wide system of port development, the next move in holding costs must come from the local level.

Harbour boards should do more to explain the consequences of proposals to users and the public. If a board wants to expand, it should clearly state the total cost of its proposal, the annual cost, and the consequence for levies on port users.

People who use ports should take more interest in what's going on — not the shipping lines, but exporters and importers. The lines, in effect, act as their agents, for it is the users themselves who ultimately meet the cost of port development.